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EDITORIAL COMMENT

What Can Our Cities Afford to Spend?

Dr. Upson writing in this issue on "What Our Cities Can Afford to Spend" says that in 1917 a typical and average Detroit home paid $46.12 in educational and other municipal taxes; today the same home pays $112. The assessed valuation of this home was $3,340 in 1917; today it is $5,000. The tax rate in 1917 was $13.81; today it is $22.57. In each year, education was the largest single item. In 1917 it consumed 26 per cent of the total tax paid by the average home owner; today it absorbs 34 per cent. For the trend of taxes spent for particular activities see the table included in Dr. Upson's article.

To compensate for the inflated dollar, the wholesale commodity index was adopted. Curiously enough, this applied to per capita expenditures of the largest cities, revealed actual decreases in nine of the twelve. In the 146 cities for which the census bureau has the records for the ten year period the real increase in per capita expenditure was only 38 per cent. Since 1916, however, the per capita income (real, not nominal) has increased 30 per cent. Since the above per capita income figures apply to the country as a unit we should probably discover, if we had the data for cities alone, that city incomes had increased more than the national average of 30 per cent, and that the increase in real income in the cities was as great, if not greater, than the real increase in municipal taxes.

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The Delaware River Water Compact

For the past three years the states of New York, Pennsylvania, and New Jersey have been trying to reach an agreement for the joint development and use of the Delaware River waters in the interest of the municipalities of the three states. A compact was drawn up during the past year and submitted for approval by the legislatures of the three states. Subject to other provisions the compact would permit Pennsylvania to use 900,000,000 gallons per day, New York 600,000,000 gallons and New Jersey 600,000,000 gallons to be taken from any tributary of the Delaware River or directly from the Delaware channel or from both.

The existing rights and privileges of each state would be carefully guarded and a reasonable joint development would be provided. Up to date, however, the compact has not fared favorably. It was adopted by the state of New York, but was not acted upon by either Pennsylvania or New Jersey. In the case of the latter, there appeared to be a misunderstanding as to the provi-

sions relating to the waters available to Trenton and the lower section of the state; a misunderstanding commonly attributed to a public statement made by a prominent political leader who had not read the compact. As to Pennsylvania there seems to be widespread fear that the state would not retain the privileges that it feels entitled to because of the extensive watersheds within its territory. This is a typical instance of the enormous difficulties encountered in promoting and carrying out large public projects that involve the interests of more than one governmental body. Yet such joint public enterprises must be developed to an ever increasing extent not only as to water but as to all other utilities. Vision, patience and faith will be extremely necessary virtues.

J. B.

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Compulsory Automobile Insurance a Factor for Safety

Mr. Robert S. Marx will present in our August issue a strong argument for compulsory automobile compensation insurance as a condition to obtaining a driver's license. The personal injury suit, he well points out, is no remedy for the vast majority of automobile accidents. As was the case with respect to the injured workmen under the rules of common law, if the injured plaintiff has been negligent in the slightest degree, even although the careless driver was 99 per cent negligent, no damages can be collected.

Compulsory liability insurance is good enough as a half-way measure, but is inadequate at best. Although it may make more difficult the collection of damages by forcing the injured person to engage in an unequal legal contest with a powerful insurance company, it at least eliminates the financially irresponsible driver. Compensation insurance, on the other hand, is designed to compensate victims of accidents irrespective of fault. Damages would be awarded on a fixed schedule, expensive litigation would be eliminated and the money paid in premiums would not be consumed in court fights.

Mr. Marx draws the analogy of compulsory workmen's compensation, once bitterly opposed, now generally accepted. He suggests that, while the avoidable accident toll is today cruelly heavy, a minimum of traffic accidents, after the manner of industrial accidents, is "inherent in the trade" and compensation therefore should be as automatic in one case as in the other.

To those who see in this proposal an encouragement to reckless driving, the author replies that similar arguments were used against compulsory workmen's compensation. But as a matter of fact the latter has proved a gratifying deterrent to accidents through the safety work which it has instigated. The same principles applied to automobile accidents may bring forth similar fruits. They are worthy of most serious consideration.

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Uniform Budgets for North Carolina Counties

North Carolina has taken another forward step in providing for a uniform county budget system. The legal provisions behind this system are contained in a law enacted by the 1927 legislature, called the "county fiscal control act." This law, by the way, is one of the five acts passed during the session which have as their purpose the improvement of the organization and methods of county government in the state.

The county auditor is made responsible for the preparation of the county budget. In those counties which have no auditor, the office of county accountant is established and charged with the same duty. The head of each

county department or office is required to file with the auditor or accountant on the first of June, estimates of his expenditure requirements for the fiscal year beginning on July 1. The estimates of revenue are made up by the auditor or accountant. The budget must be prepared and sent to the county board by the first Monday in July of each year. The board is required to file a copy of the budget for inspection with its clerk and to furnish a copy to each newspaper published in the county. This must be done at least 20 days before the appropriations are passed. The appropriation resolution must be adopted by the fourth Monday in July. The county board may change the budget recommendations of the auditor or accountant as it sees fit, except in the case of proposed appropriations for debt service. Supplementary appropriations may be submitted by the budget maker and passed by the board, provided this is done before the Wednesday following the third Monday in August, at which time the tax levy must be fixed. The law contains several important provisions on the expenditure and control of the appropriations.

Since the law has been enacted, the county government advisory commission, which assisted in the drafting and passage of the law, has formulated a budget classification, uniform estimate blanks, and general instructions for the preparation of the county budgets. These have been submitted to the county budget officials preparatory for the preparation of the budgets during May and June, 1927.

The primary budget classification is according to funds, some nine general classes of funds being recognized. Supporting this classification is one by organization units or activities and one by objects. The main groups of the object classification are (1) personal services, (2) supplies and materials, (3) other expenses, and (4) equipment and additions other than replacements. Income is classified by sources under the headings of property tax, redemptions of tax sale certificates, interest on delinquent property taxes, privilege taxes, poll tax, licenses and permits, marriage licenses, fees, departmental earnings, interest on tax sales, jury tax, state appropriations, federal appropriations, contributions and grants received, tolls, interest on bank balances and deposits, interest on investments, profit on the sale of investments, sales of supplies, and sales of equipment and property. Code numbers are supplied throughout the classifications and the county budget officers are requested to use these in connection with the appropriation accounts.

The estimate blanks are of three general forms. The first set of forms is to be used in making up the departmental estimates; the second set is for the purpose of setting forth the bond interest, redemption, and sinking funds; and the third set is in the nature of a recapitulation for the whole county government. Each set consists of several sheets and is accompanied by complete instructions for preparation.

A. E. B.

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Measuring Municipal Efficiency

The twenty-five criteria of good city government set forth in Professor Munro's fourth edition of his *Government of American Cities* has proved the basis for at least two efforts to estimate the quality of government rendered by particular cities. Louis P. Head is the author of a series of articles, appearing originally in the *Dallas News* and later combined in a pamphlet, applying the Munro tests to Dallas. According to Mr. Head, Dallas grades but 56 per cent on the twenty-five questions propounded, only thirteen can be

answered in the affirmative. In twelve cases the answer must be a flat "No."

Another application of the Munro criteria has been made by the Citizens Bureau of Milwaukee. Unlike the Dallas report, the Milwaukee document does not undertake to give a direct answer to each question, preferring merely to outline the existing situation and let the reader decide for himself the degree to which the city is performing its functions. Without attempting any municipal scoring, the Milwaukee Bureau has assembled the evidence; an impartial jury, however, will frequently be compelled to report that Milwaukee is falling short of excellence.

A new experimentation with measurable standards is suggested by Ray M. Hudson, chief of the Division of Simplified Practice of the United States Department of Commerce. In a bulletin, "Ours Is a Good Town to Live In," he calls attention to the need of a "common yardstick" if our communities are to develop consistently. To aid in the establishment of such a yardstick Mr. Hudson proposes a national conference to develop a national standard rating scale. While no formal national competition is suggested, it is believed that the utilization of such a scale by cities everywhere would constitute a continuous contest through the desire of each city to compare favorably with others in its class. Mr. Hudson's scale includes social, economic and political elements. Many will differ with him as to weights to be given the various factors in a rating scale. Certainly many students of government will find little significance in a value of 30—out of a possible 1000—for one police unit to 2000 inhabitants; or in a value of 40 for a per capita tax rate as low as $10.

The search for efficiency "yardsticks" is sound and should be encouraged. The difficulty with all those suggested to date is that they mean so little. In private business the cash register tells the story; success or failure depends upon what it reports. But city governments don't use cash registers and no "efficiency registers" have yet been constructed which yield any conclusive information. Police efficiency tests may soon be developed, but the number of policemen per thousand of population reveals nothing that is really useful. The general criteria of Professor Munro, general and intangible as they are in some cases, are to be preferred to superficial scorings which may serve only to mislead.

The National Municipal League has recently joined the ranks of the venturesome promoters of "standards." Foregoing the bright temptation to build up municipal score cards, the League will shortly publish a pamphlet outlining, for each particular department of municipal administration, what is believed to constitute adequate service together with the necessary organization and facilities for rendering the service. The purpose is to carry Professor Munro's criteria into more detail, and it is hoped that the interested citizen, by comparing the standard service and organization with what he finds in his own city, will be led more intelligently to commend that which he finds excellent and to correct that which he finds defective.

"WILL LIVELONG" HELPED TO MAKE APRIL SAFE IN PHILADELPHIA

A month's safety campaign built up around the personality of "Will Livelong," a real though anonymous personality, reduces the accident toll. :: :: :: :: :: :: :: :: :: ::

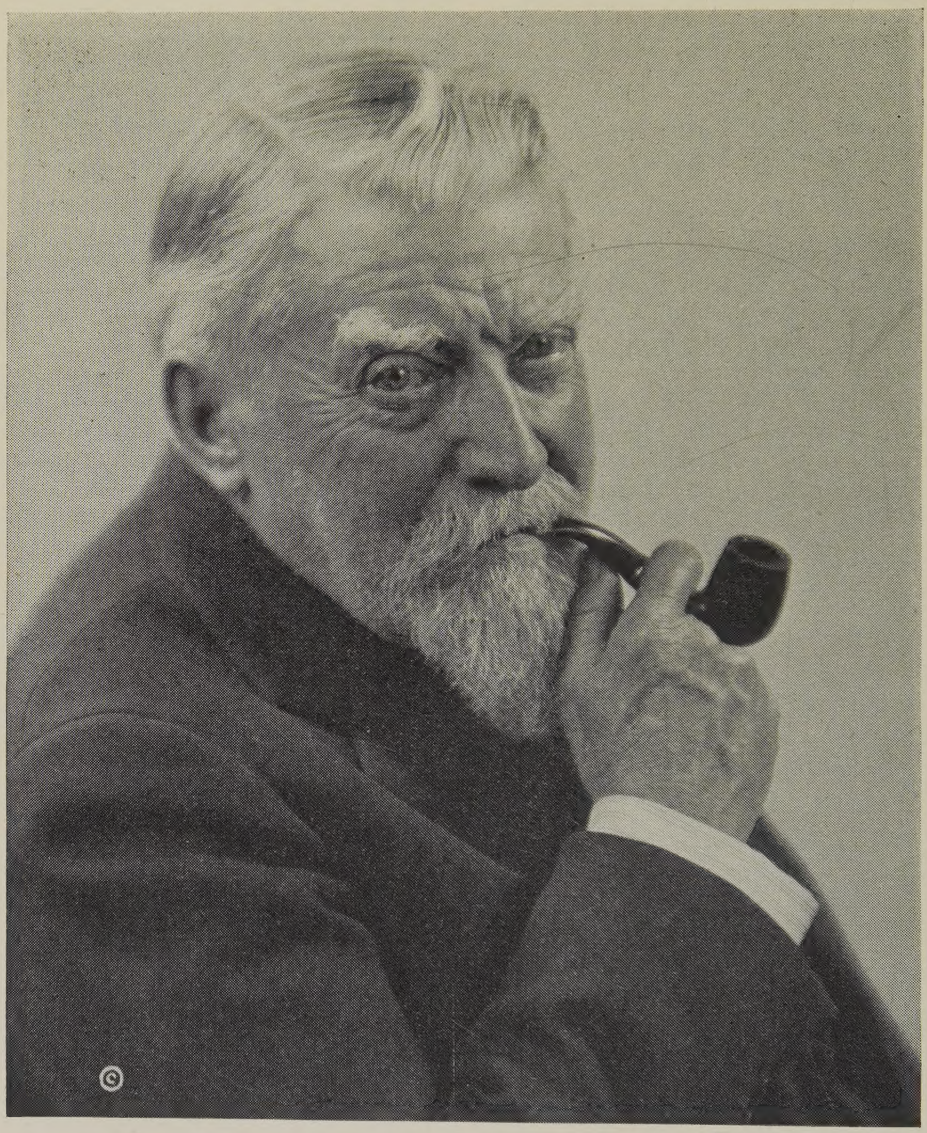
ALL through the month of April the destinies of children, pedestrians and autoists in Philadelphia were watched over and zealously guarded by a Safety Sage of large repute—by name, "Will Livelong." This kindly old chap, a real flesh-and-blood character, was chosen as the central figure of a very intensive campaign to reduce the street accident hazard. His true identity was not revealed until the closing days of the campaign, strong efforts being made throughout the month to stimulate the curiosity of the public as to just who was this venerable philosopher of safety, whose quizzical glance peered out from the street cars, buses, taxicabs, newspapers and posters everywhere in the city.

When the 29th of April rolled around, "Will Livelong," in the person of W. F. Hogan, a retired civil engineer who many years before had been active in building a number of the cable car lines in Philadelphia, received a decided ovation. Mayor Kendrick welcomed the Safety Sage at City Hall and thanked him officially for the splendid work which had been done in reducing highway accidents in the Quaker City during the safety month. A luncheon was tendered in his honor, and all of the organizations which had actively participated in the drive joined in a cordial testimonial to the man whose kindly personality had so won the public interest.

It was a happy inspiration which suggested the name "Will Livelong." It was a stroke of real fortune that so splendid a type could be found to fill this all-important rôle. When the campaign ended, so widespread had been the publicity given to the Safety Sage, and so thoroughgoing the educational work carried on in his name, that "Will Livelong" was unquestionably the best known character in Philadelphia.

Behind him were lined up the department of public safety, the public and parochial schools, the Philadelphia Rapid Transit Company, the Citizens' Safety Committee of the Chamber of Commerce, the automobile clubs and a host of other bodies directly or indirectly concerned with the problem of insuring greater street safety. Funds to the extent of $10,000 were provided by P. R. T. In addition, the transportation company contributed the services of a number of its people to handle the mass of detail and general publicity work incident to the campaign. All of the bodies which participated did splendid work, however, not only within their own organizations, but in providing radio and other speakers and in helping to insure city-wide coverage with the safety material which was provided.

Actual results from the campaign were encouraging. It was rather surprising to note that more than two



Kubey-Rembrandt Studios

W. F. Hogan as "Will Livelong"
Whose kindly face adorned all signs and publicity displayed in the Philadelphia safety campaign

and one-half weeks of concentrated effort were necessary to stem the rising tide of street accidents resulting in injuries and fatalities and to start the trend downward once more. The momentum of the juggernaut of *carelessness* was greater than had been anticipated. However, when the peak was finally reached and the daily toll began to lessen, the downward trend of the curve was quite marked. Street fatalities in April were reduced 26 per cent from the figure for the same month in 1926, the total this April being 22 while that in 1926 was 30.

In order to make the safety effort as effective as possible, the campaign was divided into four distinct weekly phases, the first of these, from April 3 to 9, dealt with children's accidents, and very intensive work was done in the schools to arouse the "accident consciousness" of the pupils. April 10 to 16 was designated as "Pedestrian Safety Week" and the sins of omission and commission by jay-walkers were stressed. "Automobile Safety Week" extended from April 17 to 23. During this time the automobile clubs and the large fleet owners were exceedingly active in pressing the need for greater caution and for increased road courtesy upon their members and employes respectively. The final week of the month was used for a general attack upon all types of accidents, and definite efforts were made during this period to perpetuate the educational work along safety lines throughout the year. This latter work will largely be conducted through the schools and such organizations as the Safety Patrols, the Boy Scouts and Girl Scouts, for it has been found that children respond much more readily and satisfactorily to long-continued efforts of this nature than do the grown-ups.

After "Will Livelong" had been established in the public mind as a character, whose advice on matters of street safety was worthy of careful attention, he was invariably used as the mouthpiece for any and all slogans and messages which were to be presented to the public. Dash, bulkhead and ceiling rack signs were carried on all of the cars of the transportation company and similar signs were used on the other types of public transportation vehicles. These signs bore pictures of the Safety Sage and slogans which were directed at the particular type of accident immediately under consideration. For example, during "Pedestrian Safety Week" the street car dash signs bore the question: "R U J-WALKING? ASKS WILL LIVELONG."

The *Evening Bulletin*, which has the largest circulation of any Philadelphia paper, carried a daily box in its pages containing safety epigrams attributed to "Will Livelong." The community newspapers were particularly active in stimulating interest in the campaign, using a localized and very direct appeal to their readers. The radio broadcasting stations in Philadelphia and WCAM in Camden also lent their full support to the movement, contributing a number of periods on the air throughout the day. It was thus possible for safety speakers and safety programs to reach the radio audience two or three times each day throughout the month. The local moving picture and legitimate theatres did their part by donating free advertising space to "Will Livelong" and by throwing safety slides upon the screens. Local news reel companies were present at various of the safety demonstrations and these pictures were shown in the downtown and neighborhood moving picture theatres.

The safety work did not stop with the close of the campaign, for the various organizations most concerned with the problem of street safety were resolved that this should be no sporadic

Typical Signs Used in All Street Cars and Elevated Trains

effort. Through the Citizens Safety Committee of the Chamber of Commerce and particularly through the public and parochial schools the educational work will go on, and "Will Livelong" is looking forward to the day when Philadelphia will step from second place into first place among American cities in the matter of her street safety record.

THE MONTREAL METROPOLITAN COMMISSION

BY FREDERICK WRIGHT
Forum Editor, Canadian Municipal Journal

A successful experiment in federated government for a metropolitan community. :: :: :: :: :: :: :: :: ::

THE government of a large metropolitan area today is no sinecure, and the diversity of interests, often combined with public apathy, does not make it any the easier. This is very much the case of Greater Montreal, an urban district which has grown within the last two decades so rapidly in population, in wealth and in cosmopolitanism that its civic administration has actually become a problem intricate enough to test the best minds. Fortunately there is in Montreal one administrative body which, since its creation in 1921, has given the strongest evidence of sound economic government. The purpose of this body, which is known as the Montreal Metropolitan Commission, is best expressed in the preamble of the act establishing it, which reads as follows: "Whereas, while still preserving the autonomy of the municipalities on the Island of Montreal, it is expedient that a system of financial control by a central authority representative of such municipalities, including the City of Montreal, be established for the future."

FINANCIAL NEEDS OF SMALL UNITS

The reason for the commission coming into existence was the financial necessities of certain small municipalities adjacent to the city of Montreal, and the determination of certain other well administered municipalities to keep their local independence. This situation created the opportunity to formulate a plan of administration that would adequately meet the exigencies of the case—that is, the difficulties of the weaker and the demands of the stronger urban districts. The project was worthy of the best traditions of municipal government, and its practicability has been proved by five years' successful administration. Had the plans for this new venture in civic government fallen down and wholesale annexation to the city of Montreal taken place instead, there is every reason to believe that the citizens of the metropolitan area of Montreal would have suffered an enormous additional public expense with increased taxation under a centralized form of government absolutely inadequate for the administration of a large urban area. As it is, the actual cost of administering the commission is under $13,000 per year, while the advances, really loans, to the delinquent municipalities have amounted to approximately $350,000 per year for the five years of the commission's existence.

COMPOSITION AND POWERS

The Montreal Metropolitan Commission is composed of fifteen members, fourteen representing fifteen municipalities—five cities and ten towns—and one representing the municipal department of the Province of Quebec. The proportion of representation is as follows:

City of Montreal.....eight members including city comptroller
" Verdun.....one member
" Westmount.....one member
" Outremont.....one member
" Lachine.....one member
Towns of St. Pierre, Lasalle, Hampstead, St. Laurent, Mount Royal and Montreal West.....one member
" Montreal North, St. Michael, Montreal East, and Point aux Trembles one member

The members of the commission are selected in the following manner: In the case of the cities, by a majority vote of the respective councils; in the case of the towns, the different councils select a delegate who at a meeting called for the purpose votes for the member who is to represent the district in which his town is located. The representative of the municipal department, though he may take part in the deliberations of the commission, has no vote.

All of the member municipalities are under its complete supervision so far as their financial affairs are concerned, with the exception of the city of Montreal itself which is independent of the commission although contributing to its costs and to the funds and credits necessary to place the weaker municipalities on a sound financial basis. It is because of the larger risk and proportional expense which it carries that the city of Montreal selects the majority of the members of the commission.

Before leaving the composition of the commission it might be well to state that the commissioners, with the exception of the city comptroller and the representative of the municipal department, are chosen from amongst the members of councils that come under the jurisdiction of the commission, and that their appointment may be cancelled at any time by the authority who made the selection. In the event that any municipal council does not make a selection within a prescribed time, the Lieutenant-Governor in Council—which in practice means the provincial government—makes the appointment; in the case of the cities, from amongst the members of the local council, but for the towns "it shall not be necessary that the person appointed be a member of a municipal council." The remuneration of the commissioners is at the rate of ten dollars for each sitting of the commission, and five dollars for attendance at each committee meeting; in addition to which the chairman receives an annual indemnity of $2,000.

Broad Powers

Broadly speaking, under its charter the commission has the same powers over its member municipalities as an ordinary council has over the public finances of a municipality. That is to say, it has the power to borrow on the joint security of all its units, including the city of Montreal, and assess same with all charges and expenses resulting from the loans, interest on same, and expenses of administering the commission in proportion to the value of the taxable property of each of the said municipalities. Should any of the municipal units fail in any way to meet the amount so levied, the commission may itself apportion and collect the amount upon all taxable property of the municipality in default; in which case the officers of the commission must have free access to the registers and valuation rolls so as to be enabled to prepare a special act of apportionment.

So far as the city of Montreal itself is concerned as already stated, the commission has no control over the administration of its finances, but over the other member municipalities it exercises a general supervision with respect to loans, their proper use and

their repayment. Before a loan can be contracted by any of its members, other than the city of Montreal, the sanction of the commission must be secured and as most of the units borrow from the commission itself—it having the power to make such loans—an excellent arrangement has been made by which the officers of the commission and the borrowing municipalities work together in the interest of all parties, the result being that there is not much chance for public extravagance, every dollar of public expenditure being accounted for.

UNIFORM ASSESSMENT

To insure a fairly uniform system of assessment the clerk of every municipality under the control of the commission is obliged within fifteen days of the revision of the valuation roll to send in a statement showing the value of the taxable built property and taxable non-built property, as well as the non-taxable property, and if the commission thinks that the valuation made is not proportionate to that of the neighboring municipalities, it may increase or decrease such valuation in order to establish a fair proportion among all member units. And the commission's decision is final.

Ever since its establishment the commission has realized that its work is very much of an experiment. Consequently its members have been more concerned in laying sound foundations than in building up a mushroom superstructure that might readily fall. In this the commissioners have shown wisdom, but now that the foundation has been proved to be strong enough to support a complete borough system for the metropolitan district of Montreal, it has been suggested by thoroughly competent students that the commission be made the basis for such a system. This may be brought about by gradually adding to the powers of the commission in proportion to its capacity to absorb them. There is no reason, for instance, why the Montreal Metropolitan Commission should not be empowered to prepare a comprehensive plan for the whole Island of Montreal. This, so far as the commercial metropolis of Canada is concerned, is an interborough problem of vast importance, which can only be taken up successfully by an authoritative body having the right to tax for such a purpose.

In conclusion one might add that the success of the Montreal Commission is due very largely to the representative character of its members and its officers. The membership remains practically the same as when the commission was established, so that there has been from the first a continuity of understanding and coöperation impossible in an ever changing body. The officers are highly efficient and imbued with a keen sense of their responsibilities and the opportunities for constructive work that a new undertaking gives. To my mind the creation of the Montreal Metropolitan Commission marked a new epoch in civic administration, inasmuch as it was one of the early attempts in North America to demonstrate the practicability of combining decentralization in civic government and centralized administration of an interurban character in main services such as finance. The fact that the experiment has proved successful is the best indication that coöperation is infinitely better and more democratic than annexation in the development of large municipal areas.

A NEW DEFINITION OF METROPOLITAN DISTRICTS

ADOPTED BY CENSUS BUREAU TO BE WORKED OUT IN COÖPERATION WITH CITIES

BY MARTIN DODGE

Chairman of the Committee on Definition of Metropolitan Regions

THE increasing necessity of thinking of and dealing with urban affairs in terms of metropolitan regions rather than only incorporated municipalities has occasioned the formulation of a new definition of metropolitan districts. The metropolitan district or region, according to this definition, is the area "within which the conditions of manufacturing, trade, transportation, labor and living—in brief, the daily economic and social life—are predominantly influenced by the central city." This definition is fundamental, though not precise. It requires interpretation. It is meant to be flexible, rational, and useful and should prove of special utility to city planners, municipal and state authorities, and census officials. It had its origin in the needs of the census.

In May, 1926, the industrial bureau managers of chambers of commerce in some twenty large cities in the country met in Washington. A feature of their conference was a discussion with the director of the census regarding the census of manufactures. Dissatisfaction with the census bureau's basis for metropolitan district enumeration led to the appointment of a committee. In March, 1927, this committee reported at a second conference, attended this time by chamber of commerce industrial men from some fifty cities, and recommended the above definition, which was adopted and agreed to by the director of the census.

THE DEFINITION APPLIED

It is assumed to be applicable to cities of 50,000 population or more. Any city in this population class, upon the appointment of an appropriate committee to work out a definition of its metropolitan district will have the coöperation of the director of the census in arriving at a proper definition for the particular city and in making practical application of it for purposes of the census. The director will assign a representative of the census bureau to work with the local committee for this purpose. Chambers of commerce in cities of 50,000 or more, of which there are about one hundred and forty-five, are now being urged by the Chamber of Commerce of the United States to set up metropolitan district committees in accordance with this plan.

In elaboration of the definition, several factors are significant and have an important bearing on the results to be achieved for any particular community. There should be determined for each city, for instance, the area in which long distance freight rates are the same or approximately the same; the switching limits for freight purposes; the area enjoying the same power service; the area in which retail stores make free delivery in their own vehicles; the area covered by local and suburban telephone service; and the area within commuting distance. Consideration

should also be given to population density, although no intermediate territory should be excluded because of sparseness of population. Political boundaries should be followed, whether county, township or municipal.

All of these factors need not apply throughout the territory designated as the metropolitan district, although a substantial number of them should so apply, or most of them should apply to a substantial degree. As the purpose is to determine the area in which the daily economic and social life is predominantly influenced by the central city, the measure of these concrete factors applied after study by the committee in coöperation with the census bureau should net with reasonable accuracy the actual metropolitan district.

PRESENT PRACTICE ARBITRARY

The definition now in use by the census bureau provides an arbitrary district, regardless of the size of the central city, extending ten miles from the city's boundaries, with necessary variations for city or town lines or other civil divisions, in which the population is at least 150 per square mile. This definition is applied to cities of 200,000 inhabitants or more. For cities of approximately the same population, including those up to say 500,000 population, the definition gives a fairly satisfactory measure of the actual metropolitan area. For many cities above this population class, and particularly for the largest cities of the country, the definition is inadequate, neither showing the actual metropolitan district nor admitting of any variation as between cities of different sizes.

These shortcomings are recognized by the census bureau which is anxious to put the new definition into effect. The coming biennial census of manufactures, which will be taken early in 1928 to cover the calendar year 1927, makes it desirable for cities to proceed at once to set up the necessary machinery for coöperating with the census bureau in applying the new definition. In addition to securing the coöperation of social, educational and business organizations interested in this problem, effort should also be made to secure a formal expression from the local municipal authorities regarding the desirability of defining the metropolitan district and its appropriate extent. This will widen the use of the district when created, and also place in the hands of the census bureau evidence regarding the need for metropolitan district enumerations which may be of use in securing such additional funds as will be necessary for this purpose.

It is recognized, of course, that in applying the above definition, two cities may draw metropolitan boundaries that overlap, or that two rival cities lying close to each other may wish to accentuate their individuality by drawing a line between them. The first case may be susceptible of solution on the basis of fact, the second by the creation of a joint metropolitan region, presumably defined through the efforts of a joint committee representing the two cities involved.

WHAT STATISTICS WILL INCLUDE

Manufacturing statistics for the metropolitan district will include the number of establishments, average number of wage earners, amount of wages paid, and value of products produced in the area. This information will all be available by industries. Population statistics, such as total population, and totals for male and female, white and colored, in the district, will also be made available for the decennial census in 1930. More detailed statistics for both the census

of manufactures, and the population census, can be secured on the basis of metropolitan regions upon special request to the census bureau and by paying for the extra labor involved.

Census reports for metropolitan districts will of course not take the place of statistics now compiled on the basis of cities proper, or in any way change the census tabulations for other subdivisions.

Aside from census purposes, a well defined and generally recognized metropolitan district will doubtless be used in many instances as the basis for the extension of such municipal activities as cannot well be confined to the boundaries of the incorporated city. These include such matters as water supply, sewage and sanitation, recreational facilities, parks and park police, sanatoria and related health functions, rapid transit, and regional planning. Evidence of the need for the administration of urban services covering these various matters has already appeared, for instance, in the establishment of such agencies as the Niagara Frontier Planning Board, the Division of Metropolitan Planning of the Massachusetts Metropolitan District Commission and The Port of New York Authority.

THE NEW MINNESOTA BOND LAW

BY GEORGE M. LINK

Secretary, Minneapolis Board of Estimate and Taxation

The new law, which follows the National Municipal League's Model Law in many respects, pays great respect to home rule. :: :: ::

The legislature of Minnesota has for the first time in twenty-two years attempted to revise and improve procedure relative to the issue of municipal bonds. In 1905 statutes were passed which specified various conditions under which municipalities of the state could issue bonds, the method of calculating "net debt," the limitations on "net debt," limitations on interest rates, procedure to be followed in securing funds for the payment of the bonds, and other matters that seemed of major importance relative to municipal borrowings.

A résumé of laws authorizing bond issues by municipalities in Minnesota, compiled in 1924, by Mr. W. A. Gray of the League of Minnesota Municipalities, showed that at that time there were on the statute books of the state 143 laws for the purpose of either preventing, permitting or controlling the issue of bonds by cities and villages, exclusive of laws applicable to townships and school districts. Of this number not one applied to all municipalities of the state, 43 applied to all cities of particular classes or to villages, and 100 applied to but one village or city (64 applied to Minneapolis alone).

Fortunately, an active ally in a movement for reform was found in the investment bankers of the state, who probably perceived more clearly than others the need for remedial legislation.

HISTORY OF THE MEASURE

Working jointly, the investment bankers and the League of Minnesota Municipalities drafted two measures which were submitted to the legislature of 1925. One of these measures was intended to control the issue and retire-

ment of all future bond issues, the other to control the retirement or the refunding of past issues. Unfortunately the provisions of the measures were not well understood by some members of the League, resulting in opposition and ultimate defeat of both. An immediate movement was put under way for the drafting of a bill or bills for submission to the 1927 legislature. In order that some measure of improvement might be made, it was decided to avoid controversy and opposition on the less important phases of bond procedure by omitting provisions relative thereto if necessary.

There are in Minnesota certain municipalities that, in the past, have issued obligations almost without hinderance and in consequence are now reluctant to have the facts relative thereto made public. There are others that in the past have made little or no definite provisions for the retirement of outstanding bonds. Both classes objected to any law which would now require definite accounting relative to such obligations. It was decided that this opposition warranted omission of legislation relative to past bond issues, and the restriction of any new bill to future obligations only. Likewise the general belief in Minnesota in "home rule" in municipal affairs, and the suspicion with which any form of state supervision thereof is regarded, served to prevent favorable consideration of any proposal by which authority over bond issues could be placed in a central state body.

It is said that Minnesota has given more extended scope to the "home rule" principle in local government than has any other state in the Union. It certainly would be hard to conceive of any people guarding more jealously their "home rule" rights and notions than do those of this state. Unfortunately, what is oftentimes hailed as "home rule" is bloc rule or official rule and not popular rule.

The proposal finally decided upon for submission to the 1927 legislature went before that body with the joint endorsement of the League of Minnesota Municipalities and the Investment Bankers of Minnesota. (The complete text thereof appears in the League publication, *Minnesota Municipalities*, for December, 1926, page 594.) It was so drafted as to reduce interference with existing procedure, particularly in so-called "home rule" cities, to a minimum.

The bill was not in the form of an enabling act; it did not authorize the issue of any municipal obligations that were not otherwise authorized. The entire aim of the bill was to provide a definite procedure which should be general in application and as nearly uniform as practicable. On the other hand, it was not intended that passage of the bill should deprive any municipality of rights which it possessed under existing laws except to the extent that such laws were in conflict with the proposal.

By thus minimizing the interference of the bill with existing procedure, it was accorded a degree of favor in marked contrast to the opposition which similar proposals had received at the hands of former legislatures, and it passed in substantially the form in which it was presented (see Chap. 131, Laws of 1927).

COMPARISON WITH MODEL BOND LAW

A comparison of this Minnesota law with the Model Bond Law, recently made public by the National Municipal League, shows many marked differences, which may lead the superficial critic to conclude that the proponents of the Minnesota law failed to secure that measure of completeness and perfection which should be attainable

in these days when information is so plentiful as to both sound and unsound procedure. To those who thus draw conclusions relative to the Minnesota law as contrasted with the Model Bond Law, it can be said that the Minnesota law did not attempt to lay out a complete bond procedure for the reason that there were existing laws that adequately and satisfactorily covered many phases of such procedure; it did not result in perfection for the reason that a theoretically perfect plan could not have been adopted. The proponents of the bill aimed to correct those provisions of existing law which were responsible for the greatest abuses in bond procedure. Local students of sound bond procedure are agreed that this objective was attained. It is also believed that the procedure which will be required in Minnesota when this law becomes effective (September 1, 1927) will differ from that required under the Model Bond Law less than would be assumed if one were to accept as correct a comparison appearing in the March issue of the NATIONAL MUNICIPAL REVIEW.

NEW PROCEDURE DEFINED

The procedure prescribed by the Minnesota law is approximately as follows:

1. *Certain Obligations Excepted from the Provisions of the Act as to the Issuance Thereof.*—All warrants or orders having no definite or fixed maturity and all bonds (a) issued by a county for road purposes to the extent that reimbursement will be made by the state, (b) authorized to be issued and sold to the state, (c) issued for improvements which are payable wholly or partly from special assessments, (d) issued for the creation or maintenance of a revolving fund, (e) issued for the construction or repair of wharves and docks, and (f) issued and maturing in less than one year are excepted from the provisions of the act as to the issuance thereof. (This exception does not, however, remove such obligations from the restrictions of existing statutes or charter provisions.)

2. *Net Debt Re-Defined.*—Net debt is defined as the amount remaining after deducting from the gross debt (the total of all outstanding obligations of every kind) (1) the sinking fund reserve for the retirement of those bonds which make up the net debt, (2) all outstanding bonds issued (a) for the acquisition, construction, maintenance, etc., of water works systems, lighting, heating or power systems, or combinations thereof, (b) for improvements payable wholly or partly from the proceeds of special assessments, (c) for the creation or maintenance of a revolving fund, and (3) warrants or orders having no definite or fixed maturity. An exception as to the application of such method of computing net debt is made of municipalities which by special law or home rule charter have another method prescribed. This exception is made necessary by the conditions of existing general laws relative to special charters and home rule charters. (This method of determining net debt will probably be judged adversely when compared with those laws which permit the deduction only of water bonds and sinking fund reserves. It has the merit, however, of a degree of definiteness which is entirely lacking in the Minnesota law of 1905, under which all present outstanding bonds have been issued. Such law provided for the deductions of all bonds for improvements from which an "income is or may be derived," also for the deduction of sinking fund reserves for bonds which were not to be included in a statement of net debt.)

3. *Limitations on Net Debt.*—A limit of 20 per cent of assessed valuation is

fixed for school districts, and of 10 per cent for all other municipalities, with the following exceptions:

(a) Cities of 50,000 or more inhabitants are limited to a net debt of 5 per cent of assessed valuation, exception being made of such cities as have a home rule charter fixing a higher limit, and

(b) All municipalities which by special law or home rule charter have a lower limit prescribed.

At the present time there is no fixed and definite limitation on the net debt of school districts.

4. *Serial Bonds Required.*—All obligations which become subject to the provisions of the act as to the issuance thereof are to be payable serially, the first installment thereof not more than three years after date of issue and the last thereof not more than thirty years from the date of issue. The last installment of funding or refunding bonds and of those issued for other purposes which are not specifically limited to thirty years, are payable in not more than twenty years from the date of issue. No installment shall be more than two and one-half (2½) times the amount of the smallest installment.

5. *Bond Authorization Subject to Referendum.*—No bonds which are subject to the provisions of the act as to the issuance thereof can be authorized without the approval of a majority of the electors of the municipality, except bonds to pay judgments or to refund maturing obligations or bonds which are to be issued by home rule cities the charters of which permit the issue of bonds without such vote.

6. *Tax To Be Levied To Retire Bonds, Prior to Issue.*—Prior to the issue of any bonds subject to the restrictions of the act, a tax shall be levied for each year covered by the issue in an amount five per cent (5 per cent) in excess of the amount to be paid thereon during each of said years, which tax, after the issue and delivery of the bonds, shall be irrepealable until all the indebtedness created is paid. Provision is made for the disposal of any excess produced by such levy or for an additional levy in case of deficiency in collection. The spreading and collection of such levy is made the duty of the county officials.

7. *Registration of Bonds and Certification of Registration.*—The county auditor is required to keep a register in which shall be entered a record of every issue subject to the provisions of the act. No such bonds can be delivered to the purchaser thereof until a certificate has been obtained to the effect that said bonds have been registered and that a tax has been levied for the retirement thereof.

Cities of over 50,000 inhabitants are excepted from the provisions relative to such certificate.

8. *Penalty for Failure To Carry Out the Provisions of the Act.*—Any officer of a municipality who knowingly fails to comply with the provisions of the act is declared to be guilty of a misdemeanor.

WILL CORRECT ABUSES

It is generally conceded in Minnesota that the procedure provided in the new law will correct some of the worst practices of Minnesota municipalities in the issuance of municipal obligations. The method of determination of "net debt," though probably not the most desirable, will eliminate some of the most unsound features of the procedure permitted by former laws; the requirement that certain standard and ordinary obligations shall be serial will encourage the issuance of all obligations as serial obligations; and the requirement that a tax shall be levied to care for the retirement of the bonds to which the act applies and for the payment of the interest thereon will

prevent, at least in part, the practice which is all too common of failing to make annual and adequate provision to meet such obligations.

That the new law leaves much to be desired in future legislation must be conceded. There is no sound reason for excluding any general obligations from the requirements of a sound bond procedure as to issuance, redemption provisions, registration or any limitations that apply to other general obligations. (Exception may properly be made in case of obligations to be sold to the state or to be redeemed by the state, for obvious reasons.) There also is no good reason for continuing to use assessed value as the basis for determining net debt instead of full and true value, or for retaining the rather absurd methods of determining "net debt" by permitting deductions from "gross debt" of obligations which clearly must be retired by the process of general taxation. An ideal definition of "net debt" is one that specifies that such debt is that portion of the requirements for the retirement of existing "gross debt" which must be met in the future by the proceeds of general taxation. This definition is substantially in accord with the procedure for determination of "net debt" as contained in the Model Bond Law.

Comment has been made that the Minnesota law excepts from its provisions, to a great extent, cities operating under home rule charters. It appeared to be impossible to pass the law unless such exceptions were made, but such exceptions released such cities from only a part of the provisions of the act. It is believed that provisions which were not so excepted are ample justification for the adoption of the act, despite its various imperfections.

SOMETHING REMAINS TO BE DONE

As is generally true in case of remedial legislation, the Minnesota law is now being picked to pieces by its critics. It is being claimed that the law will not accomplish anticipated results, that certain defects in drafting render it unconstitutional, that superficial preliminary investigation resulted in the inclusion of a provision that will reduce the net debt limit for Minneapolis (the largest city in the state) from 10 per cent to 5 per cent of assessed valuation (the present debt is over 9 per cent of such valuation), and that the act is defective in certain other respects. Proponents of the law are of the opinion that all such objections and criticisms are without adequate foundation. A comment recently made in the NATIONAL MUNICIPAL REVIEW is, however, substantially correct: "It would seem possible to strengthen the Minnesota proposal in several points. Some definite procedure could be outlined to take care of present indebtedness; control of debt could probably be better administered in the state than in the county government."

It is too early to predict the attitude that will be taken by the League of Minnesota Municipalities before the next session of the state legislature. It is possible that the League will recommend further legislation relative to the issue of municipal obligations. It is more likely, however, that their activity will be confined to the promotion of legislation having for its purpose the supervision and control of accounting and budgeting.

BOSTON ELEVATED PROGRAM AWAITS FURTHER DIAGNOSIS

BY BERNARD WIESMAN
Boston Chamber of Commerce

Shall Boston continue public control of her elevated system, adopt public ownership or restore the properties to private management? As yet the legislature has matured no plans for her. :: :: :: ::

THE most vital issue before the Massachusetts legislature this year was generally considered that of the Boston Elevated Street Railway, operated since 1918 under a system of public control based on a minimum term of ten years.

The measure originally had been an emergency act to prevent the bankruptcy of the one great street transportation system in metropolitan Boston, which for the previous ten or fifteen years had been rapidly going on the rocks through the suicidal effort to pay regular dividends, finance service extensions and operate under the five-cent fare fixed by its charter of 1897. Under public control, the road has fared well. Service has been improved and the rolling stock renewed. Except for a deficit within the first two years, it has shown a profit even after the setting aside of an adequate depreciation fund. The fare is now ten cents based by statute on service at cost. Public control under the Act of 1918 continues until 1928 and thereafter unless or until the state gives two years' notice of termination of contract. The element of uncertainty is so strong because of the possibility of the two-year notice at any time from the legislature, that necessary financing cannot now be undertaken. It was felt this winter that the time had arrived for making a definite decision as to the future control of the Boston Elevated Street Railway Company.

Some were sanguine enough to expect a courageous solution which would guarantee expansion and development of the street car service in such a way as to stimulate the orderly growth of the metropolitan district. His Excellency, Alvan T. Fuller, plainly stated his desire for a careful program of progress when he referred to the problem in his inaugural address. The Division of Metropolitan Planning had prepared an extensive plan for the physical development and financial control after making a continuous study for the past two years. In addition, there were available reports of legislative committees and particularly the recommendation of the special committee of 1924 which had reported a bill in December of 1925.

In other words, the gentlemen of the legislature had a plentitude of plans when they began their deliberation. Other suggestions were forthcoming as the session advanced. But when the gavel of the speaker had been tucked away for the summer, the net result was some enlightening of public opinion and a few resolves calling for the judicial opinion of the supreme court on constitutional points and the evaluation of the property by the department of public utilities.

FURTHER DELAY LIKELY

It is needless to expatiate here on the vagaries of legislators who, in the

words of His Excellency, "regulate the size of the pickerel and the number of hornpout and the season in which they may be caught, but this great and important question of good transportation is ignored." In fact, it was this very statement that contributed towards the failure of the General Court to pass a definite program. This particular reference in the speech by the governor added fuel to the acrimonious dispute between the chief executive and the leaders in both houses of the legislature. The piscatorial allusion rankled particularly deep in the forum of the sacred cod, but it affords no real explanation of the legislative debacle on the Elevated bill. Honest differences of opinion existed. Political and business contacts naturally split the legislature into at least three camps. The outstanding fact, however, was that a great number of members did not know which way to turn. The prophets were quarreling among themselves, and such up-state members as had no definite opinions of their own were sorely puzzled as to which leader to follow. If the Governor had possessed a working control over the legislature, the story would have been different. But as the season advanced, it became obvious that the far-reaching program originally prepared could pass only after it had been emasculated by compromise into a sugar-coated nostrum of no particular virtue. If such a bill had been passed, an executive veto was taken for granted. The members preferred to postpone action. Hence, the problem will come up anew in January of 1928, when perhaps the summer will have instilled courage and inspiration into the deliberative assembly on Beacon Hill. Undoubtedly it will require both for the passage of sound legislation in the face of the presidential campaign in 1928.

THE PLAN SUBMITTED

Roughly, four courses were open when the legislature convened. The most obvious course was to take no action towards the termination of the control act of 1918 and thereby leave to some succeeding legislature the eventual solution. The second course was that of public ownership for which eventuality provision was included in the original act. The third was exactly the antithesis of this,—reversion to private operation by rendering at once the two-year advance notice of the termination of the control act. The fourth was the execution of a contract for an extension of public control under terms more suitable for all concerned.

The Division of Metropolitan Planning, under the very able chairmanship of Henry I. Harriman, well fitted by training for the effective financing of public utilities, chose the fourth plan which would assure sound management and permit the necessary development of the elevated system and yet at the same time leave to the later day and age the difficult choice between the two extremes—complete public ownership or restoration of private control. Their plan would form and ease the way toward either as a final solution.

This plan was generally looked upon as the most constructive and satisfactory program. It faced the problem in a practical way and sought the method which would best serve the car rider while also protecting the stockholder and general public. It had the support of civic organizations such as the Boston Chamber of Commerce, and it was generally felt to be a plan acceptable to the stockholders of the Elevated.

The Planning Division sought to effect a million dollar annual saving by the establishment of a lower interest rate. In order to make this acceptable

to the investing public, the Division urged the extension of public control and the guarantee of dividends by the commonwealth for a period of from forty to fifty years. They suggested a reduction in dividends in common stock from 6 per cent to 5 per cent, with a continued guarantee of the premium. To replace the present expensive preferred stock, the Division suggested the issuance either of a preferred non-voting limited stock in a new corporation of 4½ per cent guaranteed with a provision for a sinking fund formed out of the saving which would permit the retirement of the stock at the end of the period, or of a similar debenture which would be tax-exempt and would serve the same purpose. In other words, the preferred stock of the Elevated would be transferred from its present status at 6, 7, and 8 per cent to a guaranteed security at 4½ per cent which would virtually be a state bond. The savings permitted under this plan would amount to over $800,000 a year and savings from federal and state taxation brought the total saving up to about $1,000,000 a year. It was planned to set aside $250,000 annually for the retirement fund of the preferred stock while the remainder would be used first to pay off the deficit incurred in the first years of the public control act and after that for the payment of the Elevated's share of interest charges on rapid transit extensions. As the report explained, the guarantee would cost the state nothing because the car rider himself would supply the retirement fund, while the cost to the car rider would not be an additional charge because without the guarantee at least 5 per cent instead of 4½ per cent would have to be paid.

The Planning Division's bill became a basis of the bill reported by the joint committees on Metropolitan Affairs and Street Railways, after they had held extensive hearings. The Division's bill seemed strengthened by the reference of Governor Fuller in his inaugural address when he urged an extension of public control in which the stockholder would accept a lowered interest rate in return for the greater security of his investment. The bill of 1925 had also proposed an extension of public control with a lowered interest rate,—a term of thirty years with a reduction on common stock from 6 per cent to 5 per cent.

The bill, as in such plans, provided for the acceptance by the stockholders of the company and carefully specified that in the event of later acquisition by the commonwealth through its option or by eminent domain, the compensation to be paid should not be enhanced by reason of this legislation or supplementary contracts. This bill as reported to the senate by the joint committees, however, discarded much of the financial machinery proposed in the intricate measure of the Planning Division. It emerged as the first legislative compromise. Briefly, it provided for an extension of public control for twenty-five years with a dividend rate on common stock at 5½ per cent and the replacing of the present preferred stock (8, 7 and 6 per cent) at 130, 115 and 105 by a forty-year debenture at 4½ per cent. The dividend and interest charges were to be guaranteed by the commonwealth as under the present system but with a provision that the debenture issued should be amortized through a portion of the annual savings through the lowered rates. This bill effected the savings from the federal income tax and in the state franchise tax which had been suggested in the Harriman bill. The total saving was estimated at about $1,050,000 annually. This amount was to be used as under the Harriman plan, one-fourth for amortizing the debentures and three-fourths for re-

paying the deficit and thereafter for paying the Elevated's share of the cost of rapid transit extensions.

OPPOSITION ARISES

This report bore the names of eleven of the thirty members of the committee as dissenters, and soon it became obvious that two decided minorities were to oppose the plan. A group of Democratic members were known to favor public ownership. When the joint committees reported the public control measure, the house chairman of the committee on street railways, Eliot Wadsworth, came out flat-footedly for a return to private control. Representative Wadsworth had been trained in railroad operation in the firm of Stone and Webster and held marked prestige in the house, although serving his first term, as a former assistant secretary of the treasury.

Wadsworth issued a public statement in collaboration with the senate chairman, Chamberlain of Springfield, and Senator Johnson of Worcester. He announced that he would lead a fight for the termination of the public control act by submitting the required two years' notice to the stockholders and by establishing a commission to arrange the details of the return.

At the hearings before senate ways and means, the alignment for private control constituted the chief opposition to the plan proposed by the joint committee. Hitherto a silent minority, the private control advocates demanded the termination of public control and the appointment of a special commission to study the arrangements for restoration to private operation which would be submitted to the legislature in the following year. In other words, the private control group offered no complete program. If the plan worked out by the special commission should fail to satisfy the legislature or the stockholders, confusion would result because of the irrevocable character of the notice. Wadsworth's plea, however, won marked attention and support. Business men as a group had maintained that extension of private control was the only sound solution for the present time, but that in principle and at later date private operation should be resumed. Many were now impressed by Wadsworth's statement for immediate return. The one big difficulty was the absence of any demand for such a return. Some persons indeed wondered what parties would be benefited by the bill, for neither the stockholder nor the car rider were known to desire it, and it seemed to be in the interest of neither.

But in a matter such as this, arguments were easily forthcoming. The existing act was denounced as a war emergency measure and the proposed return to private operation was heralded "pro bono publico." Private control exponents argued that the public control act was an unwarranted lien on the treasury of the commonwealth, and that everything would be serene once the stockholders were given responsibility for the operation of the road. As Mr. Wadsworth remarked, money would be available for financing new extensions because under private operation the dividends could be passed!

STRUGGLE IN BOTH HOUSES

Senate ways and means overturned the previous report and substituted Wadsworth's recommendation by a vote of four to one. As a parliamentary procedure, their action was open to objection on point of order. President Wells rallied his force, however, and chose to fight the bill on principle regardless of status. After a brilliant and thorough speech by Senator Gaspar G. Bacon of Boston, the original bill of

the joint committee was substituted in turn but only after amendment for a term of fifteen years and at 5 per cent on the common stock. These two compromises seriously vitiated the value of the measure. On the final vote of twenty-six to ten in the senate, the public control bill was sent over to the house.

Another hearing on the amended bill was held by house ways and means. The advice here was for delay,—and the chairman of the public utilities commission, Henry C. Attwill, decried public hysteria and urged that it would do no harm to let the matter wait. This was directly in opposition to the expressed wish of the chief executive, but in Boston department heads have a faculty for disagreeing with the governor on matters of policy. The committee on ways and means seemed to have no positive ideas as to what should or could be enacted. Mr. Attwill's advice was not unwelcome.

By this time, several people remembered that the counsel for the Planning Division, the former speaker, B. Loring Young, had pointed out several difficult legal questions which he felt should be definitely decided by the Supreme Judicial Court before the measure was enacted. The committee on ways and means decided that upon these questions hinged not only the validity but the efficacy of the act.

Because the session was practically over and no one seemed eager to spend the summer waiting for an answer to these questions, the chairman of the committee, with two dissenting votes, reported "Next Annual Session" on the Boston Elevated control act. Mr. Shattuck, able, conscientious and conservative, had actively studied the problem of public control for three or four years, but he was not yet prepared to make final disposition of a one hundred million dollar corporation without receiving additional data. From his committee he also presented two resolves which requested the opinions of the justices of the Supreme Judicial Court on the constitutionality of the proposed public control act and an evaluation of the property of the company by the department of public utilities.

Meanwhile, the private control bill had been nursed by three members seldom seen in such a partnership,—Eliot Wadsworth, new member of business prestige and possible political promise; Martin Hays, veteran Republican whip with caustic capacity in debate who can garner votes without possessing actual leadership; and Martin Lomasney, vehement spokesman for the West End wards of Boston.

The fight on the floor was really between the minority for private control and the rest of the house. In the lengthy and heated debate, Hays, Lomasney and Wadsworth monopolized the attention of the house, but they were challenged by the accurate and vigorous logic of Shattuck, who made the most powerful argument of the day. He was seconded by Gilman of Boston, who was in charge of the original bill but who admitted the necessity of deferring until the supreme court had ruled on constitutionality. As a matter of fact, no one was very strenuously in favor of the mangled bill which was before the house. The supporters of the original plan felt that no satisfactory program for the welfare of car rider, general public and stockholder could be evolved from an eleventh hour compromise.

The question came on referring the public control bill to next annual session and thereby ending the possibility of further action this year. The private control group were against this action and were technically voting in favor of the bill in order to secure op-

portunity for the substitution of their measure. The voice vote showed a heavy predominance in favor of "Next Annual Session." The minority, valiant warriors that they might be in debate, failed to force a rising vote or a roll call. No explanation was forthcoming for their failure to do this especially in view of the support which they claimed to possess in the house. As a result, the outstanding bill of the legislative session of 1927 for the provision of transportation service for 1,500,000 people was shelved without the formality of a recorded vote.

So the bill rests quietly through the summer while the public utilities department studies the value of the property and the Honorable, the Justices of the Supreme Judicial Court, determine the correct answers to twenty-four questions of constitutionality, of which the fifth is, "Would the provisions of Senate No. 276, as amended, if further amended by the substitution therefor of said House No. 522 (original Metropolitan Planning Division bill) be constitutional in every particular, if enacted into law?"

The highly important rapid transit extension bill which the control bill was partly designed to finance, suffered a similar fate in the hands of the senate. The Supreme Judicial Court has several questions to answer on this bill also before the General Court again convenes to legislate for the common weal.

MUNICIPAL PENSIONS IN CHICAGO

BY GEORGE B. BUCK
New York City

Recommendations for the improvement of Chicago's pension system analyzed by a national authority. :: :: :: :: :: ::

Last summer, George C. Sikes, secretary of the Chicago Pension Commission, presented to the commission a report, at that time admittedly incomplete, outlining the history and containing a volume of data in regard to the Chicago and Cook county pension problems. From the viewpoint of the history of pensions in Chicago and the present status of the various funds, nine in number, the report is very illuminating. To anyone interested in a detailed history of the benefit and contribution provisions of the law, and financial aspects of the various funds, a study of the original report is recommended.

A later supplemental report, entitled "Suggestions Regarding the Organization and Management of Chicago Pension Funds," contains the conclusions based upon the data in the original report. In this report, Mr. Sikes summarizes his recommendations as follows:

1. The reserves of actuarial reserve pension funds should be kept absolutely sacred for their purpose, and distinct from other funds, and not be drawn upon by loan or otherwise.

2. The Public Library Pension Fund and the House of Correction Pension Fund ought to be abolished and their members transferred to the Municipal Employees' Pension Fund. At the least, it should be provided by law that all those hereafter entering the service of the Public Library or the House of Correction should become members of the Municipal Employees' Pension Fund, so that ultimately the Public Library Pension

Fund and the House of Correction Pension Fund would disappear.

3. Administrative boards as a rule are nuisances, and should be dispensed with wherever possible and single-headed departments set up in place of them. Most of the work of pension administration is of such a nature that it could be performed better by a single-headed department than by a board. The recommendation is that the work of pension administration—with exceptions hereafter noted—now vested in the Police Pension Board, the Municipal Employees' Pension Board, the Firemen's Pension Board, the Public Library Pension Board, and the House of Correction Pension Board, be transferred to a single-headed department of pensions, or to a division of pensions in the office of the city comptroller. The exceptions are: (1) that the duty of purchasing securities, now vested in the various pension boards, be transferred to the city comptroller; (2) that the power now vested in the pension boards to make awards of duty disability benefit and compensation annuity be transferred to the existing board for administering the Policemen's and Firemen's Death Benefit Fund, said board to be reorganized for the purpose of its new duties. The money for the payment of awards of duty disability benefit and compensation annuity should be appropriated annually by the city council instead of being taken from the revenues produced by the tax levy for pension purposes. The duty of making awards of child's annuity and ordinary disability benefit might be left with the pension fund administering agency, the main function of which is to grant pensions or annuities to employees, or to widows of employees, provided the money supplied by the public for child's annuities and ordinary disability benefits be appropriated annually by the city council and be kept entirely distinct from the reserve funds for pension and annuity purposes. The *funds* of the various pension boards as now existing should be kept separate, but the administration of the funds named should be brought together in a single office or suite of offices, under a single directing head.

4. Money supplied by the public for expense of administration of pension funds should be appropriated annually by the city council. Pension fund administration should be subject to inspection and supervision by the city council, its finance committee, and the efficiency staff of the finance committee, like the work of other departments for which the council appropriates.

5. There should be an official advisory board made up of aldermen and citizens appointed by the mayor, and of members elected by contributors and beneficiaries. There would be no objection to giving representatives of employees and beneficiaries a majority of this advisory board. It should be the duty of this board to keep close scrutiny over the administration of pension funds, and to consider continuously the need for changes in pension laws suggested by experience.

6. There should be some official agency composed in part at least of pension experts, entirely representative of public interests, to examine all pension proposals presented to the legislature, and to advise the legislature, the governor and the public with respect to the merit or lack of merit of the proposals.

7. The purchase of securities for pension fund investments should be delegated to the city comptroller.

8. Provision should be made by law for thorough inspection biennially of public pension funds by the state insurance department. In addition the Chicago city council should be specifically authorized to provide for inspection at any time of any pension fund directly or indirectly connected with the city government. The agency making the inspection should be given the power to compel the attendance of witnesses, the production of books and papers, and the giving of testimony.

9. If we cannot secure pension fund administration by a single-headed department, but must continue to have board management, appointees of the mayor should constitute a majority of every board administering pension funds for city employees. There should be no ex-officio members of such board or boards, unless the ex-officio member be the head of the department to which the employees belong, such as the fire commissioner for the Firemen's Pension Fund or the superintendent of police, for the Police Pension Fund.

FEW BENEFITS ON A RESERVE BASIS

The author's first recommendation, namely that "the reserves of actuarial reserve pension funds should be kept absolutely sacred for their purpose . . ." arises out of the fact that even in the five funds which are supposed to be on an actuarial reserve basis certain benefits are still being paid from cur-

rent receipts and reserves for these benefits are not being accumulated. For example, the Police Pension Fund has six distinct benefits: (1) annuities for policemen, (2) annuities for widows, (3) annuities for children, (4) ordinary disability benefit (5) duty disability benefit, (6) compensation annuity for widows of policemen killed in the performance of duty. Of these the first two only are on a reserve basis. Mr. Sikes contends, and apparently he is right in his contention, that funds covering reserves on these benefits should be kept for that distinct purpose and not used even as a loan to pay any of the other benefits which are not on a reserve basis. It seems that he might have gone further and recommended definitely putting the other benefits on an actuarial reserve basis. His whole argument implies that he would favor this and it probably is not necessary for him to set this down as a definite recommendation.

The question as to whether the two funds mentioned in Mr. Sikes' second recommendation should or should not be abolished is purely a local problem. It is fair to assume that any reorganization of an existing pension fund will take into consideration the fact that the members of that fund have been counting on certain definite benefits under the existing laws, and the reorganization should, therefore, be of such a nature as to have the least effect on present members consistent with sound financing. The same considerations do not apply as respects new entrants and may be neglected if a majority of the present members express a preference for the suggested plan of reorganization over the plan under which the fund had up to that time been operating.

BOARD CONTROL

An examination of Mr. Sikes' third recommendation will show that it is really two recommendations in one: first, a recommendation to abolish control of pension funds by administrative boards, and second, a recommendation to consolidate the administration of all the systems under one head. The majority of pension systems, industrial as well as public, make provision for administration by a board of some sort. Mr. Sikes' proposal to do away with board control and substitute a single-headed departmental control is, therefore, probably somewhat influenced by local conditions. However, from the purely theoretical standpoint, such a method would seem to be equally efficient and one which might be an improvement in Chicago. If, as Mr. Sikes assumes, all questions concerned with the operation of the pension system were definitely provided for in the law creating the system, and if it were always a simple matter to decide whether or not a given case came under the provisions of the law, and, moreover, if it were possible to convince the members of the retirement system that they as individuals would get as reasonable treatment through a single-headed department as through a board-controlled department, it is not unreasonable to assume that the boards could be dispensed with to advantage. Experience seems to indicate, however, that matters do arise which require the exercise of discretion, and members seem to feel that they will receive more equitable treatment from a board on which they are represented than from a single-headed department. It is therefore by no means a foregone conclusion that as applied to pension systems "administrative boards are as a rule nuisances."

As far as consolidating the various funds under one central administering body is concerned, the idea, if practicable, seems good. There is no doubt but that certain general types of problems are common to all systems

and there is a serious question whether within a city or a single organization there is not an advantage from centralized control. The question in Chicago is one which must be answered in the light of existing conditions, but theoretically, at least, the recommendation would seem to be a step in the right direction.

All the other recommendations deal with provisions for safeguarding the stability of the pension funds and particularly the safeguarding of the public's interest in the handling of pension problems. They are sound recommendations which cannot help but be of assistance in the future.

The whole report indicates a great deal of thought on the questions raised. There is bound to be some controversy over specific points considered, but, on the whole, the adoption of the author's recommendations could not but help to put Chicago's pension problems on a more scientific and equitable basis. Perhaps before the commission completes its work it will outline a retirement policy for the city which will be sufficiently simple for an interested taxpayer to understand, and which will show what the systems are costing now and what they may be expected to cost in the future. For example, Mr. Sikes states in his detailed report that the police fund costs the city annually a contribution equal to 10½ per cent of the active pay roll to cover the city's share of the liability for two of the six benefits promised, and in addition the taxpayers are to pay the entire cost of the other four benefits. There is no reason why the cost of the other benefits should not be computed as a percentage of the pay roll both as to the regular accruing cost and also as to the accrued liabilities, that is, for the cost of the credit for service prior to the establishment of the system. When figures of this nature are available for all of the funds, the seriousness of the problem will be a little more apparent. The very process of reducing the cost to definite figures tends to clarify the situation and usually aids in the ultimate satisfactory adjustment of the problems which Chicago appears to be facing at the present time. Before any legislation is passed tending to change the funds, it would appear that the city should first develop its policy as to retirement benefits, acquaint itself with its present and prospective obligations, and then propose a definite program which will protect both the taxpayers and the participants in the fund or funds.

INTERSTATE COMMERCE COMMISSION ADOPTS ACTUAL INVESTMENT AT COST BASIS

BY JOHN BAUER

American Public Utilities Bureau

The question of actual investment versus reproduction cost will now be squarely presented to the Supreme Court, with I. C. C. favoring the former. :: :: :: :: :: :: :: :: ::

In the last number of the Review the writer summarized in the Public Utilities Department the Interstate Commerce Commission's decision in the St. Louis & O'Fallon Railway case and merely pointed out its great significance. The purpose of this article is to present the issues more completely and to show their bearing upon the entire problem of effective and desirable rate regulation for railroads and other public utilities.

Let us repeat briefly that the particular case concerned the recapture of excessive earnings under the 1920 Transportation Act. The point of dispute was the valuation upon which the excessive earnings were to be computed. Disregarding minor technical points, the fundamental issue was whether the recapture of excessive earnings, or railway rate-making in general, must be based upon the reproduction cost of the properties as claimed by the company, or upon the commission's valuations as made under the 1913 Valuation Act at 1914 prices and as modified by subsequent additions and retirements and further accrued depreciation. The latter basis, except as the initial valuations may have been greater, is roughly equivalent to actual investment.

The issue thus raised between investment and reproduction cost as the basis of rate-making and recapture will doubtless be carried to the supreme court of the United States for final decision. It will be easily the most important question decided by that court in a generation. It involves not only over $10,000,000,000 of immediate "value" for the railroads, but will determine whether regulation can be placed upon a workable and financially sound basis—or whether it must continue with present confusion and deadlock. It applies to all public utilities as well as to railroads. Its principal underlying points are, therefore, of profound public importance.

DUTIES UNDER THE STATUTE

The commission based its decision upon its broad duties under the Interstate Commerce Act as amended by the 1913 Valuation Act and the 1920 Transportation Act. It considered particularly the purposes of the statute to fix a national system of rates as prescribed, to provide for recapture of excessive earnings of individual companies, and to meet "the transportation needs of the country and the necessity . . . of enlarging such facilities in order to provide the people of the United States with adequate transportation."[1] The entire plan of the statute is based upon "regulation and control in the interest of the commerce of the United States considered as a whole."[2]

The commission decided upon the

[1] Interstate Commerce Act, Sec. 15a, par. (3).
[2] *Ibid.*, (5).

investment basis of valuation as described because this is essential to carry out the purposes of the statute. It rejected the reproduction cost basis, because that would have defeated the ends of the statute. Upon this broad issue, the matter will doubtless be decided by the highest court of the land. Why, therefore, investment and not reproduction cost? Because of administrative requirements and financial necessities. Let us briefly consider these matters.

ADMINISTRATIVE REQUIREMENTS

On the administrative side, the investment basis is essential to carry out the purposes of the law. If the initial valuations under the 1913 Valuation Act are employed in all instances subject to modifications according to exact "continuation" reports as to additions and retirements and subsequent depreciation, there is never any difficulty in determining promptly and without dispute the amount for each year upon which a company is entitled to a return. The aggregate "fair value" for a territory can be readily determined, and rates can be fixed at a general level so as to give a fair return upon the aggregate value. The "fair value" for each individual company would likewise be fixed as a definite sum to measure any excess earnings payable to the government under the statute. Unless such a definite policy and machinery are employed, based upon accounting records after the valuations under the 1913 Act, the purposes of providing a fair return on the aggregate properties and recapturing the excess earnings of individual companies would be largely nullified. Upon the reproduction cost basis, fixing rates and carrying out the recapture would require repeated valuations and would maintain constant conflict of interest between the carriers and the public. The administration would become an almost hopeless undertaking with the large number of properties operated under constantly changing conditions.

STANDARDS OF FINANCIAL STABILITY

The commission considers the necessity of maintaining constant financial stability in the field of transportation as its major task of regulation under the law. While it must be fair to railway investors, it must assure a regular flow of new capital as needed and must, therefore, fix such a regular return as to attract continuously the necessary capital "in the interest of the commerce of the United States considered as a whole." It must employ such methods of regulation both for rate-making and recapture, or other purposes, as to establish and preserve the financial stability of the railroads and to provide for adequate new facilities to meet the transportation needs of the country at large.

With this objective clearly presented, the commission's basis of valuation would provide regularly and systematically for the return not only upon the property included in its initial valuation, but also upon all new capital invested subsequently and that thereafter needed for further transportation developments. It would safeguard the return expected by investors and thus assure definitely the necessary flow of capital for all future railway requirements. It would provide for full financial stability as to the returns to be realized against any changes which may be reasonably expected in the future. But if the reproduction cost basis were used, or if the "fair value" were predicated largely upon reproduction cost, this would not only involve the gravest administrative difficulties, but would result in gross financial instability, would ultimately defeat the purpose of regularly providing

for the necessary enlargement of transportation facilities, and would destroy the general statutory plan of fixing regional rates and recapturing excessive earnings of individual companies.

RISING AND FALLING PRICES

To make clear the financial instability involved in the reproduction cost basis, the commission pictures first what would happen during a period of rising and high prices when the reproduction cost would be much greater than the investment fixed under its accepted procedure. It sets forth the dominant fact that on the average two-thirds of all railroad capital has been supplied by bonds and preferred stock which receive definite and limited returns fixed by contract, while only one-third has been furnished by common stock which is subject to variable dividends according to the returns realized. This is the normal financial structure of the companies. During a period of rising prices, therefore, as the reproduction cost exceeds more and more the actual investment in the properties, the return paid as interest and preferred dividends would remain nevertheless as fixed by contract, while the returns available for the common stock would increase three times as fast as the rise in prices expressed by the reproduction cost. This would result in pyramided profits to common stockholders, all out of proportion to the change in price level, and would inevitably inject speculation into the railroad business and promote overdevelopment of transportation. This obviously would not be "in the interest of the commerce of the United States considered as a whole."

In the case of future falling prices, however, the commission shows the impossibility of keeping to reproduction cost and at the same time carrying out the purposes of the law to provide adequate transportation for the country at large. As the reproduction cost falls below the actual investment in the properties, the interest and preferred dividends would still remain fixed and would take up a greater and greater proportion of the total return allowed to a company. The money return to the common stock would thus diminish three times as fast as the fall in prices and the decline in the reproduction cost. A decline of 33⅓ per cent below the investment level would leave no return for the common stock, and a further decline would bring insolvency. The result would be financial disaster and disorganization of transportation. Credit would be destroyed and the flow of new capital for needed transportation developments would be stopped.

Because of the utter chaos that would be created the commission believes that during a period of low prices the reproduction cost would prove wholly unworkable and destructive, and would have to be abandoned: the investment basis would have to be adopted. The country at large could not be subjected to the financial confusion which would fall not only upon the railroads but upon business as a whole. The policy would inevitably collapse notwithstanding the unwarranted profits it brought to the common stock during a period of high prices. If, therefore, reproduction cost cannot be maintained with falling and low prices, why not adopt now actual investment as modified by the commission's initial valuations under the 1913 Act? This would at all times provide the return expected by the investors, would safeguard the financial stability of the companies and would assure the necessary new capital for railway improvements during falling as well as rising prices or other changing conditions.

A CONCRETE ILLUSTRATION

The financial unsoundness and administrative difficulties of the reproduction cost basis may well be illustrated by a case with which the writer has been identified during the past three years. A well-known railroad company has been seeking an increase in commutation rates based upon a reproduction cost valuation. This property was valued by the Interstate Commerce Commission as of 1916 at $93,000,000, when the total book cost without any deduction for depreciation was only $81,000,000. At valuation date, therefore, a substantial amount had plainly been allowed above the net actual investment. Between 1916 and 1925 about $30,000,000 additional were invested in improvements. The total book cost as of 1925, the date of the submitted new valuation, was $111,000,000. The securities then outstanding were $61,000,000 bonds and $34,000,000 common stock; total $95,000,000. This sum probably exceeds the net actual investment.

The company claims a reproduction cost new valuation of $265,000,000, without any deduction for depreciation. What the proper reproduction cost less depreciation may be, is to be decided and the "fair value" is to be determined by two local state commissions sitting jointly. Let us assume, however, that reproduction cost less depreciation is accepted as the base and that $150,000,000 is the proper figure. The company claims also that $57,000,000 additional investment will be required for improvements for the next five years to be financed by bond issues. If this is added to the $150,000,000 assumed present value, the rate base in 1931 would be $207,000,000 represented by $34,000,000 capital stock and $118,000,000 bonds ($61,000,000 at present, plus $57,000,000 new financing).

Assume then for 1931 a 6 per cent return on the total "value" of $207,000,000 and figure the $118,000,000 bonds at 5 per cent interest. The total return would thus be $12,420,000 and the interest $5,900,000. This would leave $6,520,000 upon the $34,000,000 capital stock, or nearly 20 per cent, which, of course, would be preposterous and could not be justified upon any grounds of justice or any theory of economic adjustment for the change in the purchasing power of the dollar. It would be an unwarranted return upon the stock; it would be financially unsound and would certainly invite political attack.

INSOLVENCY OR STABILITY

But look beyond and consider then a period of falling prices. Assume that cost of reproduction less depreciation has decreased by 50 per cent giving then $104,000,000 instead of $207,000,000 as the "fair value." Now the total return at 6 per cent would be only $6,240,000, of which $5,900,000 would still be required for interest on bonds and only $340,000 or 1 per cent would be available for the capital stock. This would bring the company to the verge of insolvency and would leave its credit impaired during the continuance of the low price level. It would be unjust to the stockholders and would block all desirable railway developments.

No such absurd and disastrous results would follow the Interstate Commerce Commission's policy. The 1916 valuation was intended to deal fairly, and it did deal liberally with the company. In this case it was especially favorable because of the large amounts of metropolitan land values which were placed at $33,000,000 although the actual cost to the railroad apparently had not exceeded $15,000,000. On the basis of the initial valuation, plus the

additions between 1916 and 1925, less the further accrued depreciation, would give as of 1925 approximately $115,000,000. A return at 6 per cent would be $6,900,000. Subtract 5 per cent on $61,000,000 bonds and there would be left $3,850,000 or 11 per cent on the $34,000,000 capital stock. This is sufficient to provide for the stockholders an adjustment for the reduced value of the present dollar. But it would also safeguard the stockholders against future decline in prices and would assure the full financial stability of the company against all fluctuations of costs and prices. Moreover, it would hereafter enable the Interstate Commerce Commission or the local commissions to deal promptly and definitely with any needed adjustment in rates. There would be no further valuations and no drawn-out litigation. The case here presented as an illustration has lasted three years and may take another. Hereafter three days would be sufficient to reach a decision if the commission's policy is approved and followed.

RAILROAD VALUATION DIFFERENTIATED

The commission differentiates rather sharply the railroad valuation problem with which it is concerned from the general problem as it relates to local utilities subject to state and municipal regulation. Its differentiation is based upon the valuations made and records kept under the 1913 Valuation Act and upon the plan of regulation established by congress with the purpose of providing systematically for all transportation needs in the interest of the public at large. In ordinary utilities no such direct legislative policies have been formulated nor have appropriate methods been directly created for that purpose. The two must, therefore, be considered separately so far as the immediate valuation problem is concerned. The national railroad policy as fixed by congress will be the subject for consideration by the supreme court. The whole policy would be largely frustrated if the supreme court should insist upon reproduction cost as the basis of "fair value" in administering the law.

If, however, the commission is sustained by the supreme court, the decision will have a much wider effect than carrying out the expressed purposes of existing railroad regulation. It would also point the way to the various states and municipalities to create order out of the chaos of present regulation of other utilities. The writer has urged for years that the rational course is to provide definitely through legislation for a complete system of regulation that can be readily administered and is financially sound and fair to investors.[1] Such a system would largely parallel the policies and methods adopted by the commission in the present case. It would start with an initial valuation of all the properties, fixed reasonably and fairly under all the circumstances, and then would build upon these valuations by adding subsequent additions, deducting retirements, and making adjustments for further accruing depreciation. After the initial valuation there would then be a definite rate base not subject to dispute. Rates would be based systematically upon the cost of service, and would be fixed according to facts as shown by the accounts. The rights of the investors and the public would be precisely stated and accurately maintained.

Such a system of regulation, just as contemplated by the commission in this case, would safeguard the returns expected by investors and would thus assure the flow of new capital into the

[1] *Effective Regulation of Public Utilities* by John Bauer, the Macmillan Company, 1925.

utilities as economically needed. It would provide financial stability through all changes of price level. It would prevent speculation during an upward movement and would avoid financial disruption downward. It would place upon the public the actual cost of service, but would prevent excessive charges for service under all circumstances. It would provide for the regular development of the industries with equal regard to investors and consumers.

Such a system will be attainable through direct legislative action if the Interstate Commerce Commission is sustained by the supreme court in the St. Louis & O'Fallon case. It will be unattainable if public policy is crushed because of past vagaries uttered on "fair value" and reproduction cost. The importance of the case can hardly be exaggerated. There could be no clearer joining of issues, nor a better setting for a proper decision. Here is the unique occasion for the mobilization of all intelligent public opinion in support of effective regulation.[1]

[1] There were four dissenting Commissioners in the St. Louis & O'Fallon case: Commissioners Hall, Aitchison, Woodlock, and Taylor. They differ with the majority on legal grounds. They believe that the supreme court decisions on "fair value" precludes the course adopted by the majority. Commissioner Aitchison agrees with the majority as to policy. Commissioner Woodlock disagrees also on economic grounds. He conceives "fair value" in terms of the changing purchasing power of the dollar; but he apparently disregards the fact that on the average two-thirds of the investment is nevertheless definitely tied down to the dollar notwithstanding its change in purchasing power; that, therefore, the other third is subject to a three fold fluctuation in dollar income, upward or downward, with the changing price levels if reproduction cost is used. He is dominated by the one economic conception and, therefore, ignores the disastrous economic consequences that would follow because of the prevailing financial structure of the railroads. This is the crux of the problem and must be presented fully to the supreme court. This is much more than just immediate fairness to investors or users of transportation.

THE LESSONS OF THE COLORADO RIVER COMPACT[1]

BY EDWARD S. CORWIN
Princeton University

Will interstate compacts concluded under the compact clause of the United States Constitution provide the political authority needful to control the interests of large regions? :: :: :: :: ::

THE Colorado River Basin comprises some 262,500 square miles—one-fifth more than the total area of France. This region is divided into two great basins, the upper and the lower. The former, which embraces areas in the four states of Colorado, New Mexico, Utah, and Washington, furnishes 85 per cent of the flow of the river, and contains millions of irrigable acres. The latter, which lies chiefly in the states of Arizona, California, and Nevada, supplies only 15 per cent of the water of the river, but has extensive possibilities for the use of water for domestic, agricultural, and power purposes. The basins are connected by

[1] A review of the Colorado River Compact by Reuel Leslie Olson, A.M., J.D., Ph.D., published by the author, Los Angeles, 1926.

hundreds of miles of barren canyon containing numerous power sites. The importance of the Colorado as a source of power is indicated by the fact that the difference in elevation between its source and mouth is 8,000 feet, or 13 times the drop of the St. Lawrence from source to mouth. Also, the people of the Imperial Valley of California have for years been waging a losing fight against the seasonal floods which the river's uneven flow, varying from 3 per cent in December to 24.7 per cent in June, constantly precipitate upon that region.

DIFFICULTIES POLITICAL AND LEGAL

Such are some of the physical elements of the problem of the Colorado River, as Mr. Olson lists them. There are also "political issues" involved. With the development of a river of vital interest to seven states, a tussle of local selfishness is inevitable. Then there is the tension between the claims of states' rights and national power and that between private ownership and governmental control, from whatever source proceeding. Lastly, there is an international issue involved, for Mexico too looks to the Colorado River for water supply.

But the legal, including constitutional, difficulties attending a solution of the problem are even greater. It ought to be understood by the reader that the common law doctrine of riparian rights which safeguards the interests of the owner down stream does not obtain in the western states. There it is superseded by the rule of "first come, first served." Under this "rule of priority," as it is called, the first taker of water from a stream for a "beneficial use" secures a right to have this use served indefinitely, and all subsequent takers take subject to this prior claim. Quite recently, in the case of Wyoming *v.* Colorado, 259 U. S. 419 (1922), the Supreme Court of the United States has sanctioned the rule as the one to be followed as between takers in two different states both of which follow the rule. "The doctrine so announced," it has been said in criticism, "leaves the western states to a rivalry and contest of speed for future development. The upper state has but one alternative, that of using every means to retard development in the lower state until users in the upper state have reached their maximum" (p. 87). On the other hand is the fact made evident by the geographical data given by Mr. Olson, that "storage and diversion in one state, for the benefit of another, is a necessary part of a comprehensive and practical scheme for the development of the Colorado" (p. 92).

NATIONALISM VERSUS STATES' RIGHTS

Obviously the situation calls for the intervention of a political authority that is capable of doing equity to all the interests involved. Whence is this to be forthcoming?

Anterior to the negotiation of the Colorado River Compact, in 1922, in pursuance of enabling legislation by congress and the seven state legislatures the previous year, two schools had held the floor—nationalistic and states' rights. The former, relying on the commerce clause, urged the inability of the states to adopt any measures for the conservation of the waters of the Colorado or for power development which would interfere with navigation on that stream. (The Colorado, it seems, *is* navigable for some 465 miles from its mouth, at all seasons, and for some 600 miles in summer time.) Also, this school urged the right of the national government to take such measures, at least as to waters flowing through the public lands, on the ground of proprietorship. Lastly, they pointed

to the Flood Control Act of March 1, 1917, as illustrative of what the national government could validly accomplish under its power of expenditure merely.

The states' rights school, on the contrary, denied that, in the absence of inhibiting congressional positive legislation, state development projects would be considered by the supreme court to be unallowable obstacles to navigation, relying on Chief Justice Marshall's opinion in Wilson *v.* Black Bird Creek Marsh Co., 2 Pet. 245, and ensuing cases. They further challenged the power of the national government to control the disposal of waters running through the public lands. This power, they argued, was not a function of ownership but a prerogative of sovereignty, which passed to the states upon their admission into the Union on a basis of equality with other states. This is the so-called "Colorado Doctrine."

The appearance of the Colorado River Compact was hailed with great éclat in various quarters. Charles Warren in his little volume, *The Supreme Court and Sovereign States*, as well as Professors Frankfurter and Landis in their well-known article in the *Yale Law Journal* (Vol. 34, pp. 685–758, May, 1925) were confident that the way had at last been found for the solution of numerous interesting questions for which national power was inadequate, and that without further dangerous centralization of power at Washington. Even earlier, George D. Ayers in a report to the American Bar Association at Saratoga, in August, 1917, had outlined an entirely new theory of the nature of the Union on the basis of the compact clause. He suggested (Olson, pp. 68–9 and footnotes) that whereas the people of the United States were organized nationally in the national government, under the compact clause they were organized federally. The latter was the "indirect national arm," the former its "direct arm"; and all things to which the latter was inadequate could be taken charge of under the former.

Subsequent developments have gone far to disappoint these soaring aspirations for a regionalized United States of America. The Colorado River Compact has never been ratified by Arizona, while California has virtually receded from her earlier ratification. The compact clause can undoubtedly be utilized to good effect in those situations in which the national government is in position to force action under it as the alternative to direct national control. As a means of solving problems created by an untethered state selfishness it is probably of very limited value.

Mr. Olson has compiled a useful and instructive book. Of its 500-odd pages, about 300 are appendices. But aside from a few pages devoted to the celebration of Mr. Hoover and other far western worthies (the book was published in Los Angeles), most of them are instructive, too.

ARE WE SPENDING TOO MUCH FOR GOVERNMENT?

IV. OUR CITIES.—WHAT OUR CITIES CAN AFFORD TO SPEND

BY LENT D. UPSON

Director, Detroit Bureau of Governmental Research, Inc.

The increase in per capita income since 1915 has almost kept pace with the increase in per capita cost of municipal government, although governments are performing old services better and undertaking many new ones. :: :: :: :: :: :: :: :: ::

First, what do we spend? Vastly more by cities than when there were no telephones, autos and trucks, germ theories of disease, psychopathic clinics, aviation fields, sewage disposal plants, safety engineers, platoon schools, and twelve-inch streets.

Take Detroit, for example. In the decade from 1900 to 1910, while the city's population nearly doubled, tax collections doubled, as did the debt. In the decade following, population doubled again, taxes were multiplied by five, and the debt quadrupled. In 1914, that typical year before the war, when a dollar commanded the respect of both buyer and seller, the city government (including schools and library) extracted a per capita property tax of $17.25, and owed a per capita debt of $25.48. At the middle of 1926, in much depreciated dollars, this same city was collecting an average tax of $54.04 for each citizen and owed an average of $146.82 for its public debt. Thus, in twelve years, per capita taxes tripled, while per capita debt multiplied six times.

But Detroit may be considered atypical because of its unusual growth in population and area. Examine, then, ten other large American cities with respect to per capita governmental costs and debt, 1915 compared with 1925, as reported by the bureau of the census. See table on opposite page.

GROWTH IN TAXES AND DEBT

Nor are these increases limited to large cities. Take the average of the 146 cities of over 30,000 population for which data are available. The per capita receipts, expenditures, and debt reported in "Financial Statistics of Cities" are as follows:

Year	Net Revenue Receipts	Governmental Cost Payments	Net Debt
1903..	$21.14	$16.41	$44.71
1915..	30.00	23.93	77.86
1925..	61.90	47.87	119.45

These figures indicate a nearly two-fold increase in expenditures during twenty years, and an increase in debt not far behind. The increase in debt

Ed. Note.—Earlier articles in this series have paid attention to expenditures in nation, state and county. We now begin to discuss municipal expenditures in detail. Later articles will consider what we spend for public safety, health, public works and public welfare. It is appropriate that that part of the series dealing specifically with city activities should be introduced by a consideration of what is available to pay municipal taxes.

	Governmental Cost Payments			Net Debt		
	1915	1925	Per Cent Increase	1915	1925	Per Cent Increase
New York City	$43.92	$65.75	49.8	$172.82	$212.76	23.2
Chicago	33.54	46.13	37.5	27.49	58.96	114.5
Philadelphia	28.09	47.19	68.1	61.44	151.65	180.0
Detroit	38.13	64.06	67.9	33.65	144.91	331.0
Cleveland	40.89	53.04	29.7	89.26	141.64	58.6
St. Louis	31.19	38.69	24.1	29.72	28.14	−5.3
Boston	47.04	72.16	53.3	113.10	120.31	6.3
Baltimore	38.28	40.35	5.4	102.86	127.27	23.8
Pittsburgh	39.18	57.08	45.7	91.93	138.68	51.0
San Francisco	53.88	49.35	−8.4	94.27	137.47	45.9
Buffalo	37.97	58.91	55.3	71.54	109.92	53.5

is further evidenced by the sale of state and municipal bonds which has been reported by the *Bond Buyer* as follows in millions of dollars:

1926	$1,360	1921	$1,383
1925	1,404	1920	773
1924	1,446	1919	770
1923	1,135	1918	262
1922	1,279	1917	444

THE COST TO THE HOMEOWNER

All the foregoing figures, however, are in totals and averages and have no definite meaning to the individual taxpayer. This contributor to the cost of public activities is concerned with costs as they affect the small homeowner—not downtown business and industry. To determine how far the average homeowner is affected by this increasing number and expense of municipal activities, an examination was made of the records of the board of assessors of Detroit to determine the ten-year change in assessment and taxation, for a number of specific typical homes. A typical and average Detroit home in 1917–1918 was assessed at $3,340, which, at a tax rate of $13.81 per $1,000 for educational and other municipal purposes, was taxed $46.12. By 1921–1922 this same typical and average property was assessed at $4,000, with a tax rate of $21.67 per $1,000, or a total tax of $86.69. By 1926–1927 the assessment had grown to $5,000, with a tax rate of $22.57, making a total taxation for local purposes of $112.83. In other words, the average typical taxpayer—that homeowner whose name is legion and to whom the politician is assumed assiduously to bend his ear—now pays $112 for governmental protection and services, and which ten years ago cost him some $46. The details of these costs are as follows. See table on page 464.

The citizen in Detroit, and in any large city for that matter, who is aggrieved because of increased taxes must look to the larger public services for redress, if any—education, public construction, police, and debt.

THE EFFECT OF THE DEPRECIATING DOLLAR

Comparisons of the actual burden to the taxpayer, however, require that consideration be given to the fluctuating value of the dollar during the period for which the comparisons are made. There are no indices that accurately reflect the purchasing power of the dollar in units of government. To be sure, municipalities purchase the things that are ordinarily bought by indivi-

	1926–1927	1921–1922	1917–1918
Public schools	$33.54	$26.70	$12.46
Road construction	12.39	9.93	4.12
Police	12.35	9.88	6.28
Public debt	10.61	7.12	1.65
Fire	8.72	8.08	5.15
Street openings	4.58	.16	1.95
Cleaning streets and alleys	3.98	4.23	3.22
Welfare	3.87	3.21	.95
General administration	3.87	1.98	.84
Public health	3.35	3.27	1.44
Parks and boulevards	2.73	2.25	1.28
Garbage collection and disposal	2.03	1.36	.62
Public sewers	1.78	.34	.36
Library	1.48	1.32	.82
Public lighting	1.40	2.65	2.35
Recreation	.95	.79	.59
Safety engineering	....	.10	.20
Miscellaneous	5.20	3.32	1.84
Total	$112.83	$86.69	$46.12
Assessed valuation of home	$5,000	$4,000	$3,340
Tax rate	$22.57	$21.67	$13.81

duals, but usually at wholesale rather than retail prices. However, a considerable portion of every city's budget is devoted to payroll, and it is questionable whether the compensation of public employees, aside from skilled labor, has increased as fast and as much as has the cost of commodities. If this condition actually exists, then the wholesale commodity index is somewhat inapplicable and the purchasing power of the public dollar is higher than that so expressed. However, accepting the wholesale commodity index as being as nearly accurate as any available, we find that beginning with 1913, which dollar is usually used as a basis, the trend has been continually downward, excepting a slight increase in 1914, until a low of 44.2 cents was reached in 1920. From that year forward there has been a variable but general trend upward until in 1925 the dollar of 1913 was worth 63 cents.

Applying this revised value of the dollar to the increase in per capita expenditures previously noted, we find that the average per capita increase in net revenue receipts for 146 cities is from $30 in 1915 to $39 in 1925, or 30 per cent, instead of more than 100 per cent as first appeared. Per capita payments for expenses and interest increased from $23.93 to $30.16, or 26 per cent, instead of 100 per cent. On the same basis for the same period the per capita debt of those same cities slightly decreased.

The governmental cost payments of our large cities, upon this basis, became for New York, 5.7 per cent decrease; Chicago, 13 per cent decrease; Philadelphia, 5.8 per cent increase; Detroit, 5.8 per cent increase; Cleveland, 18.3 per cent decrease; St. Louis, 21.9 per cent decrease; Boston, 3.4 per cent decrease; Baltimore, 33.6 per cent decrease; Pittsburgh, 8.2 per cent decrease; San Francisco, 42.2 per cent decrease; and Buffalo, 2.3 per cent increase.

There are probably elements of error in both the statement of governmental cost figures and in the index of purchasing power of the dollar. But making whatever allowances may appear reasonable, it is still evident that the cost of local government has not

increased in any such degree as is commonly asserted.

ABILITY TO PAY GOVERNMENTAL COSTS

What is the ability of the taxpayers to meet this increasing cost of government, whatever it may be? The most commonly accepted standards of ability are wealth, upon the basis of which the annual tax levy is made; and income, from which the payment is made.

As to wealth, it will be accepted that the total assessed valuations of our cities are growing substantially from year to year. The figure of any city will prove this. Take Detroit, for example: 1916, $732,000,000; and in 1926, $3,160,000,000. Figures for all cities, for the past two decades, are not readily available, but a limited analysis over a period of five years verifies the general conclusion. And not all wealth is taxable; nor is all assessable wealth assessed at its full value.

The National Industrial Conference Board estimated the national wealth in 1925 at 355.3 billions of dollars. Comparative growth in the nation's wealth, in current dollars and upon the basis of the purchasing value of the 1913 dollar, is reported by that Board as follows:

Year	Current Dollars (in billions)	1913 Dollars (in billions)
1912	$186.3	$188.0
1922	320.8	
1925	355.3	233.9

Thus, the nominal increase in wealth during the 13-year period is 90.7 per cent, and the real increase 19.1 per cent.

Similarly, income is also experiencing a healthy growth. Perhaps this is fortunate, particularly in view of the popular demand for new and improved services—radios, movies, gymnasiums, auditoriums, and swimming pools in schools, motorized fire apparatus; traffic control signals, probation, etc. The latest and best estimate of the per capita current income of the people of the United States is that published by the National Bureau of Economic Research. Stated in current dollars, and upon the comparable basis of the 1913 dollar, the figures are as follows:

Year	Current Dollars	1913 Dollars
1913	$329	$329
1914	320	316
1915	326	319
1916	385	349
1917	470	361
1918	537	340
1919	640	358
1920	697	341
1921	579	334
1922	*597	*369
1923	*689	*421
1924	*700	*426
1925	*752	*445
1926	*770	*455

* Preliminary estimate.

Thus, it will be noted that, since 1916, the nominal income has doubled and the real income has increased 30 per cent. For each of the past five years, the average person's net income has been increasing at a rate of about 7 per cent. The increase in per capita income has almost kept pace with the increase in per capita cost of government although governments are performing old services better and under taking many new ones.

CHARACTER OF GOVERNMENTAL SERVICES MUST BE CONSIDERED

Next, let us examine the purpose of expenditures. Basically, municipal expenditures may be classified as productive and non-productive. Considerable thought may be given to the distribution of expenses upon this basis, but in general it may be asserted that

education is a highly productive function; also, the building and paving of highways, traffic control, etc. On the other hand, it may be argued that expenses for police and fire protection, public health, parks, recreation, street lighting, street cleaning, and many other functions, while necessary, are perhaps not so productive. But at any rate in so far as governmental services facilitate the production of wealth and income, no person can quarrel with their cost and its increase.

Expenditures for these essential activities may well be compared with the expenditures of society for certain non-essentials, or luxuries—as for chewing gum, jewelry, candy and cigarettes, cosmetics, silk shirts, and furs. Statisticians repeatedly have shown that expenditures for such purposes amount to billions of dollars annually, and certainly exceed those for the desirable and necessary ordinary functions of a city government. For example, the National Education Association Research Bulletin for January, 1927, reports such expenditures in 1924 amounting to $5,522,000,000; and adds that in the nation as a whole the amount spent for schools was 42.3 per cent of that total. In 1924, municipal governments including education, raised less than four billion dollars in taxes.

FEDERAL VERSUS LOCAL EXPENDITURES

Finally, in view of the occasional unfavorable references to the increasing costs of local government as contrasted with the apparent reductions in federal expenditures, it should be stated that such comparisons should take cognizance of the fundamental difference in demands upon the government in the two cases. Federal expenditures are assuming a normal, pre-war basis, due to lessening demands, and the cost of these normal activities is increasing. Local government is having additional demands for services and for facilities to make those services possible. No better test of the justification for increased local expenditures could be had than the voice of the people assenting to the increases; and at every election numerous instances exist of the voters approving bond issues for many millions, and in some cases, of additional tax levies.

The National Industrial Conference Board, in the *Cost of Government of the United States, 1926* (page 83), in asserting that the cost of local government has increased from 5.8 per cent of the national income in 1913 to 8.5 per cent in 1923, recognizes this tendency to increase governmental activities by saying, "with every advance in the stage of civilization, collective activities rise with it, as one is in a large measure a reflection of the other. Increasing amounts spent on education, good roads, recreation, improved methods of public protection and sanitation, etc., are in themselves the criteria of relative progress and welfare."

THE POLICEWOMAN AND THE WOMAN CRIMINAL

BY LOUIS BROWNLOW

The Louis Brownlow Service, Current News Features

The policewoman is not only a woman, but she is a police officer, too, and she has her share in the prevention and detection of crime. :: ::

SOME forms of crime are more or less the special business of women criminals, and in this field the policewoman often is able to do quicker and more effective work than men police officers.

Take shoplifting, for example. In large cities all the great stores employ their own private detectives to be on the watch for shoplifters, nearly all of whom are women, and in some cities where policewomen are few and their other duties so heavy the job is left entirely to the private detectives, the police being called in only when the store management desires.

In the cities where this work has been turned over to policewomen, and in smaller cities where the stores are not large enough to employ special detectives, the policewomen have demonstrated great usefulness.

In Washington, for instance, where two policewomen have been assigned to the stores patrol for several years, the professional shoplifter has been almost entirely eliminated.

No store gets special protection, but the women visit them all on the "flying squadron" principle. No shoplifter will operate when any man is present, as he might be a detective, they think. The women, not being identifiable, get opportunities to watch suspects that no man can hope to have. The stores, naturally, coöperate in the work, and call in policewomen when they have found a shoplifter.

That in more than three thousand cases of shoplifting in Washington there have been fewer than forty repeaters in the last three years, indicates clearly that the professional shoplifter has given Washington the "go-by." It is too dangerous with the policewomen always liable to be hanging about, so they have moved on to other towns.

THE NON-PROFESSIONAL OFFENDER

The non-professional shoplifter is, of course, a difficult problem. In most cases the store does not desire to prosecute, and in many instances it should not. The policewomen have been particularly valuable in such cases.

For instance, there was the case of a minister's wife. Her husband made a salary of $1,500 a year, and the three children and the whole family had to live up to his position. Out of that salary he had to contribute, according to the custom of his organization, a tithe, or $150 back to the church. The family had struggled and pinched, and now the eldest daughter was to be graduated from high school. The mother had no money. She couldn't bear to have her daughter stay away

ED. NOTE.—Mr. Brownlow, who is well known to REVIEW readers, is now conducting a daily syndicated column on municipal government. A newspaper in your city should be carrying his column, if one is not already doing so. The above article is representative of the series which is based on the author's practical experience and broad study of city problems.

from commencement because she had no clothes to wear. So she went into the stores, and, day after day, took what was needed, a dress, shoes, stockings—everything for that June graduation day. A policewoman caught her. She was not prosecuted, but she will never steal again.

There was the case of a young girl who had stayed out late at a party, an entirely innocent affair. Her father, unsympathetic and dictatorial, raved at her and called her a vile name—saying no decent girl would stay out that late. So she said to herself, "If he thinks I'm that, I'll be that." She decided that the first thing she needed for her career in the streets was a pair of long earrings. She took them. The policewoman caught her. She had been just twenty minutes in her resolve to lead an abandoned and a criminal life. She was not prosecuted. She will not steal again. She also has a different sort of a father at home for he realized what he had done and how nearly he had driven his daughter into crime because he could not and would not recognize the changing social conventions of the times. Midnight is not as late as it used to be, forty years ago.

I knew a woman who had always had plenty of money, whose husband made a good salary and who supported her and her little daughter in every comfort. He died. The money he left was soon spent, and she faced want. She had never been taught to work. She saw an automobile at the curb, and it occurred to her how easy it would be to get in and drive away. She did it, drove around to her hotel and put her baggage and her little daughter in the car and started out. In the next city she sold that car—this was several years ago when none of the states required title registration—and stole another. She toured the country, thus. Always stealing and always selling. In one city she sold her car to the chief of police—it was a good-sized city and a good chief at that. The police became suspicious of her manner but could make nothing of the case until the policewomen were called in. They got it all, and the men police officers were free to acknowledge that it was a case that they never could have made.

OF HELP IN MAJOR CASES

In cases involving major crimes where women are involved, often as the mistresses or the confidants of professional criminals, women police are invaluable in getting information which the men detectives could not get at all. For the women criminals and the women friends of the criminals will talk to the policewomen when nothing the policemen can do will induce them to open their lips.

And there's another thing: Women criminals can sometimes "get away with it" when only the men police officers are involved by the artful use of their feminine charms. I have known it to happen. Not so when the policewoman is on the trail.

While the special function of protective and preventive work with women and children first in mind must remain the greatest objective of the policewoman, I expect to see her taking an increasingly active part in the ordinary police work. Her feet may not be flat, but the policewoman is not a bad detective.

RECENT BOOKS REVIEWED

THE CLEAN UP. By Mark Lee Luther. Indianapolis: Bobbs-Merrill Co., 1926. Pp. 314.

Fiction is not ordinarily reviewed in these columns, but this readable little volume brings a new character into fiction—the city manager. Mr. Luther tapped our pamphlets for color and specific incident, and read the convention proceedings of the City Managers Association. Accordingly his city manager hero has quite a familiar look to my friendly eye and it is a pleasure to assure you that he acquits himself well in politics and love and bears, it seems to me, a faint resemblance to Henry M. Waite. I am confident that many managers will feel something familiar in the impersonal ungrateful cruelty of the public toward its servants. Hatton and I, handing out advice to city managers, have warned them against most everything in the way of theoretical dangers, but neither of us thought to warn them against falling in love with a married woman! Our hero here does this in a pure and noble way as a city manager would, and it all comes out happily in the end through an opportune bit of shooting, and the referendum for the repeal of the manager plan fails at the polls. The book is good enough for city managers to get a special kick out of it.

RICHARD S. CHILDS.

THE RISE OF AMERICAN CIVILIZATION. By Charles A. Beard and Mary R. Beard. New York: The Macmillan Co., 1927. Two vols. Pp. 1652.

It is not wholly clear whether the Beards have given us a history of American civilization or an interpretation of the history of American civilization. It is not a history of those mysterious entities, the United States, nor of the American Nation. John Richard Green's famous title would scarcely do; this is not so much a history of the American people as an account of what has happened to the American people, and why. Perhaps the word "civilization" covers that; perhaps not. It all comes down to the fact that the authors have given us something new which cannot be neatly assigned its pigeonhole. The reviewer is even at sea as to how to make most effective use of it. Can these volumes serve as textbooks; will undergraduates read them and survive? The one certain conclusion is that the historian need hesitate no longer when colleagues from other departments, graduates or random acquaintances ask what they can read and enjoy reading on American history. Here is the answer, 1,652 pages of it, all written with a joyous excitement that cannot fail to become infectious. From Anaximander to Moby Dick in one volume and thence to Henry Adams and Secretary Wilbur in the second, the Beards run gayly through the history of all civilization in their efforts to place that tiny fragment we call "American" into its proper setting. And, after all, is anything more essential for the interpreter of American civilization than a keen Rabelaisian zest for all the gaudy values of that astonishing spectacle?

Refusing to commit themselves in a preface, the authors weave their thesis into their text and force reviewers to do them some injustice by wrenching phrases from their context. "The American Revolution was merely one phase of a social process that began long before the founding of Jamestown and is not yet finished;" the constitution restored "agencies of control and economic policies akin to those formerly employed by Great Britain." So the Civil War, "in the light of Roman analogy, was a social war, ending in the unquestioned establishment of a new power in the government. . . . All that two generations of Federalists and Whigs had tried to get was won within four short years, and more besides." And so it goes, up to a conclusion in which the authors will shock some of their less subtle adherents by quoting with apparent approval President Coolidge's own version of American political history.

Here is what we expected, the Economic Interpretation in full panoply and *sub speciae aeternitate*. "History was repeating old patterns in a new and more majestic setting. In the development of every great civilization in the past, there had come to the top groups of rich and enterprising business men . . . and everywhere they advanced with deadly precision on the classes which derived their sustenance from agriculture." But the very ring of the phrases quoted should temper such hasty "I-told-you-so's" as the reader may be tempted to utter. While the Beards have stood by their guns, it

is a mellower, infinitely more subtle and less aggressively economic interpretation which they now offer. "*Broadly speaking*" the division over the constitution ran along economic lines. "It is not here contended that all capitalists with mechanical exactness were drawn to one combination and all planters and farmers to another." The economic interpretation is not glorified as the Open Sesame to the essence of American history. "In reality the heritage, economics, politics, culture, and international filiations of any civilization are so closely woven by fate into one fabric that no human eye can discern the beginnings of its warp or woof. And any economic interpretation, any political theory . . . which ignores this perplexing fact, is of necessity superficial." One could not ask for a more thoroughgoing confession of faith, or of humility. If those embattled volumes on the constitution and Jeffersonian Democracy should be again reprinted, these two sentences might well be put into italics on the title pages.

The reviewer regrets the relative neglect of political theory in these volumes and feels that the legal and political catch-phrases of American history, from "natural rights" to "nationalism" and "democracy," should have been analyzed and taken more seriously. Despite the authors' insistence that each social group has used the phrases as means rather than as ends, he suspects that the sections on Jefferson, Jackson, Lincoln, the Fourteenth Amendment, all lack that one spot of bright color without which the picture refuses to fall into perfect balance. But all this is beside the point. It is a splendid piece of work and a unique contribution to historical literature, probably better and more important for American than Green's volume ever was for English history. The Beards have given all of us enough to think over for another generation.

Frederich Manning.

Swarthmore College.

The National Budget System: With Suggestions for Its Improvement. By W. F. Willoughby. Baltimore: Johns Hopkins Press, 1927. Pp. xvi, 343.

Ordinarily one does not look to a scientific discussion of national budget procedure for renewed enthusiasm for public service. However, anyone impatient with citizen and official indifference to obvious improvements will find in Dr. Willoughby's *The National Budget System* a new assurance that a progressive in government does not always require the sense of time of a geologist.

Less than ten years ago the United States and Turkey were bracketed as the only two civilized nations that did not have a budget system—a remark good for a chuckle before any audience. In 1921, after years of stupid political objections, the national budget act became a law. What is of almost equal importance, the administration of the law fell to General Charles G. Dawes and later to General Herbert M. Lord. The results of the national budget system are as much or more the work of these two men as they are of statute law and presidential order. Nor can the encouragement of Representative Martin B. Madden and Senator Francis E. Warren, chairmen of the committees on appropriation of the house and senate, be overlooked. Naturally, as a scientific appraisal, Dr. Willoughby's discussion leaves these personalities out except for high commendation, but the reader will find between the lines the part men played in making methods work.

The book opens with the beginnings of budgetary reform,—of the work of the Taft Commission of Efficiency and Economy, later carried on by the Institute of Government Research; of forward-looking presidents and congressmen, particularly Representative James W. Good and Senator Medill McCormick; of impatient citizens; of a war that made an unwilling congress accept the budget measure—because it must; of the corollary reform in the rules of the house and of senate; and finally of the organization of the budget bureau.

Two additional sections deal completely with the budget procedure, including the responsibility of the president for the preparation and submission of the budget; its form and content; method of preparation; and the treatment of deficiency and supplemental estimates. There follows a statement of the action on the budget by congress, including the general financial procedure; a discussion of the distinction between authorizations to incur liabilities and the grant of appropriations; the extent to which the budget estimates are modified by congress; and brief mention of permanent appropriations, appropriations for salaries, and for public works. A further section deals with the execution of the budget, including the control over expenditures and administration organization, as well as of the work of the coördination agencies

which General Lord has made familiar to the country through his public addresses and interesting annual reports.

The concluding chapters contain suggestions for improvement and suggest among other items the more complete legalization of the bureau of the budget, of the transfer to the bureau of the duties of the bureau of efficiency, of the general supply committee of the treasury department, of the public buildings committee, of certain executive powers of the joint commission on printing, and the relief of the director of the budget from participation in the work of the personnel classification board. Other suggested improvements involve the modification of supplementary budgets, the elimination of the District of Columbia from the budget, the improvement of the appropriation system by the abolition of permanent appropriations, the curtailment of special revenue and expenditure funds, change in treatment of unexpended balances, etc., etc.

In view of the "epochal reform" wrought in the financial methods of the United States Government by the budget system, "it is a matter of interest that the national budget from this technical standpoint of the character of information presented and the form of its presentation is probably superior to budget documents of any other important government." A committee of inquiry from the government of North Ireland in submitting its report said: "The new system of the United States must clearly be regarded as the most finished of those that have been reviewed." "The United States . . . has its estimates and accounts on lines which while meeting the requirements of appropriations, are calculated to give the fullest possible information as to cost of governmental activity." "The most fully developed system is that of the United States." Such praise must be appreciated by men engaged in research in government when they recall that the whole movement for modern budget methods in this country began through their activities in 1907 when the department of health in New York City was prevailed upon to adopt a modern procedure, which spread rapidly to the other departments of the city of New York and from there throughout the cities of the country.

Dr. Willoughby states that the purpose of his volume is "to set forth the provisions of this (the budget) act and to describe the manner in which they have operated in practice during the five years they have been in force." This the author has done with the same enviable clearness and completeness that have characterized his other volumes on public finance.

Lent D. Upson.

Detroit Bureau of Governmental Research.

✠

Applied Budgeting. By Henry Bruère and Arthur Lazarus. Chicago: A. W. Shaw Company, 1926. Pp. xi, 248.

This book is devoted entirely to a discussion of budgeting in industries and is the first comprehensive treatise to be written on the subject. While quite a lot has been written on governmental budgeting, it is in the main not applicable to private enterprises. The governmental budget is used chiefly to restrict and regulate spending, while the industrial budget has as its main purpose the comparison of costs and the coördination of work. The latter budget is not based upon any definite period, as a fiscal year, but the period covered by it may vary depending upon business conditions. Commercial budgeting is, therefore, an extremely flexible arrangement, susceptible of rapid modification to meet changing market conditions, supply of materials, or fluctuations in sales or traffic. It involves in many cases a forecasting of the future course of business, which is by no means a simple matter. In this regard also it differs from governmental budgeting. So far, governments have not been much concerned with business and economic conditions in making their budgets.

Although the business budget may be regarded as an offspring of the public budget, governments have something to learn even at this early stage from commercial budgetary practices. One of the most significant things about commercial budgeting is the long-time planning which is undertaken by certain industries. An excellent example is the long-range budgeting of the American Telephone and Telegraph Company. This company prepares a forecast of income and expenditures for a period of five years, adjusts this forecast each year, and budgets its activities accordingly. Naturally adjustments must be made as experience varies from the forecast, but such adjustments do not destroy the effectiveness of the budget. By means of the five-year forecast, which it is able to make with great accuracy on account of the constant increase of its business, the company is enabled to plan its finances, man-

ufacturing schedules, and purchase and labor requirements for long periods in advance. It is not impossible for any large city government to do the same thing. Indeed, such cities should plan for as much as ten years ahead; their needs in the aggregate are even more constant and regular than those of most large businesses. As things now stand, cities are going ahead more or less blindly, planning a year at a time, which is at best a sort of hand-to-mouth existence.

The authors of this book discuss budgeting methods and procedure in eleven types of industries, namely, oil companies, railroads, banks, newspapers and magazines, contracting and construction companies, metal working establishments, department stores, canners, hotels, ice cream factories, and garment industries. In some of these industries, budgeting is a comparatively simple matter; in others, it is a very complex and far-reaching procedure. The book contains more than a hundred forms illustrating the different steps in budgetary preparation and control in the various industries. From a practical standpoint, these forms are perhaps the most valuable feature of the book.

The concluding chapter on "budget essentials" is, in the opinion of the reviewer, the most unsatisfactory chapter in the book. This chapter apparently gets nowhere; and, besides, it reiterates several of the points already discussed in the first chapter. Finally, the reader may be somewhat confused—perhaps amused—when he reads on page 8 that a business budget is a "cathartic," and on page 228 that it is a "seed," a few lines below a "virus," and again near the bottom of the same page a "cardinal element." To those uninitiated in the art of budgeting these figures of speech would indicate that a business budget is something that might be concocted with success at a corner drugstore!

A. E. Buck.

✻

English Local Government. Ruskin College, Oxford, 1926. Pp. 63.

Members of the faculty of Ruskin College, Oxford, have set out to present the essential facts of English local government in sixty-three pages. An ambitious attempt, certainly, but they have done an excellent piece of work. With clarity and precision they trace the history of local political institutions and outline the structure of present-day government. Even the separate government of London is not ignored.

The first five chapters are devoted to the machinery of government; the remaining seven deal with administration. Such matters as public health, poverty, housing, education, police, municipal trading and local finance each receive a few pages. The reading matter is of necessity almost entirely descriptive. Space does not permit of analysis or criticism. The pamphlet is designed as a home study course, and makes no pretense at thoroughness. Appended is a bibliography of a dozen volumes.

Austin F. Macdonald.

✻

An Eight-Year Financial Program for Detroit. The Report of the Mayor's Committee on Finances. Public Business, April 15, 1927. Detroit Bureau of Governmental Research. 22 pp.

This is a revision of the ten-year improvement program prepared by the Mayor's committee in 1925. The estimate of expenditures for public improvements for the next eight years, 1927–1935, in the city of Detroit is $736,211,864. The revised program, like the original program, includes rapid transit, and again it does not provide for superhighways, port development, or further extension of the city's boundaries. The report is based upon a study of the detailed estimates of an eight-year program submitted by individual departments and a consideration of both the city's future financial resources and the financial policy which any administration might reasonably adopt. After a careful scrutiny of the possible means of financing the improvements, the committee found that the method might be approximately as follows: one-third of the expenditures to be raised by taxes and departmental revenues; a little less than one-third by special assessments; the remainder by bonds. In some instances the committee found it necessary to deal conservatively with the departmental estimates, recommending more gradual acquisition of certain public improvements. This was true particularly of the estimates of the city plan commission, the parks and boulevards department, the recreation department, and the welfare commission. An interesting contrast is furnished by the action of the committee on the estimates of the recreation department and their action on the estimates of the board of education. While the estimate of the recreation department was cut by the committee from $9,485,000 to $2,000,000, the board of education's estimate of $55,000,000 received a reduction of only $3,000,-

000. Recreation as a municipal utility is still far behind the procession. The committee also comments at length on the plans of the rapid transit commission, since the estimates for transit included in the total estimate of $736,211,864 amount to $263,800,000, which would be Detroit's portion of the cost of a complete system of subways for the city and environs. The committee feels, however, that full coöperation has not yet been had looking toward a practical and effective solution of the traffic problem. On the matter of rapid transit, therefore, they believe such a vast expenditure should be authorized only after a more scientific and coördinated study has been made and greater certainty reached as to the best remedy.

MARTIN L. FAUST.

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THE NEXT TEN YEARS IN KANSAS CITY'S MUNICIPAL FINANCE. Kansas City Public Service Institute, March, 1927. 27 pp.

The purpose of this study is to present some basic considerations looking toward a ten-year financial and improvement program for Kansas City. While the report contains illuminating material on financial policy for the ten years, 1917–1926, there has been no attempt to make any detailed estimates on financial requirements for the ten years, 1927–1936. The statement, therefore, has value principally in calling attention to the need for a careful, detailed financial plan, covering a ten-year period, which should be prepared to determine as nearly as possible operation requirements, what improvements are actually necessary, what Kansas City can afford to pay for, and how funds should be provided and distributed.

MARTIN L. FAUST.

Village Laws and Government in Minnesota, by Harvey Walker, staff member of the League of Minnesota Municipalities, has been published by the Bureau for Research in Government of the University of Minnesota. The object of the study, as stated in the Foreword, is to make available to village authorities, authentic information as to their powers and duties and the status of their individual villages. Heretofore it has been very difficult if not impossible to determine definitely just which laws governing villages applied in special cases.

After tracing the history of local government from the early town charter through the present provision for village government by general law, the author devotes a chapter to the factors involved in incorporation and reincorporation. Supplementing the general text with the facts contained in the appendices, there need be no village in Minnesota that does not know definitely the laws to which it is subject.

Mr. Walker has produced an excellent piece of research work and although its practical value is limited to Minnesota, it must be regarded as an important contribution to the field of municipal government.

E. C.

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Personnel and Salaries of Fire Departments in Wisconsin Cities, as of October, 1926, is the third of a series published by the Municipal Information Bureau of the University of Wisconsin, the other two having been issued in 1918 and 1924 respectively. In the 1926 report, aside from statistics on salaries and employees, special note is made as to whether each city has adopted the two-platoon system in its fire department.

JUDICIAL DECISIONS

EDITED BY C. W. TOOKE

Professor of Law, Georgetown University

Home Rule—Extramural Offenses.—By the constitution of the state of California municipal courts may be established in a city when its charter, or an amendment thereto, so provides, or when its people shall so vote at an election and gives them original jurisdiction in all cases at law in which the demand for damages or value of the property in litigation does not exceed one thousand dollars, and also in criminal cases including high grade misdemeanors (Art. VI Sec. II). In cities which have municipal courts, no other courts inferior to the superior court are to function, so that the inclusion of a town or part of a town within the limits of a city terminates the jurisdiction *pro tanto* of the existing township courts. The jurisdiction of justices courts in townships has been extended by statute to offenses committed within the limits of the county.

In *People* v. *Denault* (253 Pac. 151) the validity of a statute extending the jurisdiction of municipal courts over misdemeanors committed anywhere within the county was before the district court of appeals of the second district. The constitution expressly confers upon the legislature the power to provide by general law for the "constitution, regulation, government and procedure of municipal courts and for the jurisdiction thereof" except in certain minor particulars. The power given to home-rule cities by article XI of the constitution is to provide by charter "for the establishment, constitution, regulation, government and jurisdiction of municipal courts with such civil and criminal jurisdiction *as by law may be conferred upon inferior courts.*

Nevertheless, the court held that the legislative power over the extent of jurisdiction of inferior courts must be limited by the constitutional home-rule system; that the constitutional provision giving to such cities the power to establish, regulate and determine the jurisdiction of municipal courts by necessary intendment deprives the legislature of control over them. Thus the California doctrine that home-rule cities are *imperia in imperio* is extended to cover the administration of justice, which is elsewhere regarded as primarily a state function the organization and regulation of which must be uniform throughout the state. While the present case involves only the control of the legislature over the jurisdiction of the municipal courts, the court frankly admits that it is based upon the conclusion that the establishment of such local courts is a "municipal affair" as that term is used in the constitution. It would seem that the court unduly emphasizes the possible evil of coordinate jurisdiction of the township courts and municipal courts, and loses sight of the necessity of uniform legislative control which should prevail except where expressly limited by the constitution. The attitude of the supreme court of the state on this point will be awaited with interest.

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Incorporation—Judicial Recognition as Curing Defects.—In *Gosnay* v. *Butler Graded School* (292 S. W. 781) the Kentucky court of appeals had before it the question as to how far the courts should go toward interfering with public corporations which began their existence as *de facto* corporations and under what circumstances they should regard these bodies as *de jure* public agencies. The action was brought by resident taxpayers to enjoin the school district from levying and collecting a tax for carrying on the school upon the ground that the district had no legal existence. The facts showed that the inhabitants of Butler took action to incorporate a school district in 1892, but through failure to conform to the method prescribed by statute, the incorporation was not perfected. Nevertheless, the inhabitants had assumed that the school district was legally incorporated and by periodical elections, maintaining a school and levying and collecting taxes therefor the organization had functioned continuously from that time. In refusing to grant the injunction, the court held that in its sound discretion it could not under the facts of the case interfere with the existing organization and therefore would recognize it as a *de jure* corporation

While this same conclusion might have been reached upon other grounds, the court bases its

decision on the broad principle laid down by Mansfield and Buller in *King* v. *Stacey* (1 Tr. 1), that in the case of public corporations there must necessarily be a limit in time for attacks upon the regularity of their incorporation. While no time will run against the sovereign's right of action, the extraordinary writ of *quo warranto* lies in the discretion of the court, and should not be granted after the acquiescence of the public for a term of years. In Mansfield's time twenty years was decisive on incorporation by prescription, but he stated that a much shorter period might often be sufficient. The Arkansas supreme court in *State* v. *Leatherman* (28 Ark. 81) applied this principle to sustain the irregular incorporation of Arkansas City after eight years the Iowa supreme court in *State* v. *Des Moines* (96 Iowa 951) after four years, and the Supreme Judicial Court of Massachusetts after two years in *Attorney General* v. *Methuen* (236 Mass. 564), a case where the state urged as fatal a failure to comply strictly with a provision of the state constitution governing the incorporation of cities.

⚜

Traffic Regulations—Exclusive Control under Baltimore Charter.—The question of statutory control of highway traffic in reference to local control by individual municipalities is quite generally being solved in favor of the centralizing authority. Outside of Ohio and California, the statutory regulation supersedes the existing ordinance, and in the latter state, the same result would follow the occupation of the entire field by the legislature. This result in the home-rule states is due to the public nature of the function and the recognition that it is not a strictly municipal affair. The courts have further been influenced by the need of uniform regulations in order to meet some of the serious problems of traffic control.

In *State* v. *Stewart* (137 Atl. 39) the Maryland court of appeals had this question before it, raised by an appeal of the state from an order of the trial court sustaining a demurrer to an indictment for violation of a traffic regulation, promulgated by the police commissioner of Baltimore under authority of a statute empowering and directing him to make all necessary rules and regulations for the control and conduct of vehicular traffic. In affirming the order, the court of appeals holds that under the home-rule amendment no local statute can be passed affecting any power that has been granted to the city of Baltimore, that so long as the grant of power to regulate traffic remains unrepealed, it is to be exercised by the city authorities without any statutory restriction. It is to be noted that the decision does not affect the power of legislature to pass general laws on this subject applicable to all cities of the state, but sets forth the constitutional inhibition on such legislation when limited to only one city whatever method of classification is employed. Any other decision would have resulted in practically nullifying the home-rule provisions of the state constitution. The city has been granted plenary power to control traffic on its streets and this power is to be exercised by the mayor and council, the local legislative body, without interference by the state legislature.

⚜

School Purposes—Athletic Parks and Stadia as Necessary Equipment.—The important position that physical training and athletic competition now hold in our educational system is indicated in two recent decisions. In Commissioners of the *District of Columbia* v. *Shannon & Luchs Construction Co.* (17 Fed. 2nd 219) the District of Columbia filed petitions for the condemnation of lands for an athletic park for the Western High School. The property owners in their answers challenged the jurisdiction of the court to entertain the petitions on the ground that under the provisions of the zoning law the property could not be used for the purpose designated, being in the residential district where only dwelling houses, apartment houses, hotels, churches and educational institutions are permitted. In brushing aside this objection the District court of appeals, speaking through Justice Van Orsdel, said: "An educational institution consists not only of buildings but all the grounds necessary for the accomplishment of the full scope of educational instruction. More properly defined, a modern educational institution embraces those things which experience has taught us are essential to the mental, moral and physical development of the pupils."

A similar question was decided in April of this year by the supreme court of Arizona in *Alexander* v. *Phillips* (254 Pac. 1056), in which an action was brought to restrain the Phoenix Union School District from issuing $80,000 in bonds which had been voted for the purpose of building a stadium. The court held that the delegated power to erect buildings included power to erect a stadium as a necessary building for educational instruction.

It may be noted that the acquisition of lands by eminent domain for a school athletic field was upheld as a public use to be determined by the discretion of the city by the supreme court of New York in *Binghampton* v. *Bruno* (208 N. Y. Supp. 60). Other recent cases sustaining the principle above set forth are: *State* v. *Superior Court* (69 Wash. 189, 124 Pac. 484) and *Webster City* v. *Wright County* (144 Iowa 502, 123 N. W. 193).

✱

Parks and Playgrounds—Liability for Negligence.—In *Hensley* v. *Town of Gowrie* (212 N. W. 714) the supreme court of Iowa reaffirms its classification of the maintenance and control of parks as public and government and the conclusion that therefore no liability should attach for injuries to a child, caused by the collapse of a concrete structure used as a fountain. The court rejected the argument that the duty of the city as to the care of parks was analogous to that of streets. In *Hannon* v. *Waterbury*, decided by the supreme court of Connecticut in April of this year (36 Atl. 876), the court refused to modify its doctrine of immunity of cities to tort actions based on negligence in the care of its parks, even when incidental fees were collected. On the other hand, in the same month the Colorado supreme court in *City of Longmount* v. *Swearingen* (254 Pac. 1000) held that the failure of a life guard to be on duty at a municipal swimming pool was evidence of actionable negligence on the part of the city.

The decisions in the first two of these cases were based upon precedents long established, which the courts not only refused to modify, but strongly reasserted. The Iowa court even intimated that the tendency of recent decisions was toward continuing the immunity of municipalities from tort action in these cases, its attention apparently not having been called to the cases of *Wardman* v. *Grafton* (W. Va. 1926, 128 S. E. 375), *Pamires* v. *Cheyenne* (Wyo. 1925, 241 Pac. 710) and *Byrnes* v. *Jacksonville* (Miss. 1925, 105 So. 861), in each of which cases the highest court of the state for the first time aligned itself with the so-called New York doctrine, holding municipalities liable for negligence in the care of parks (*Ehrgott* v. *New York*, 96 N. Y. 264). Iowa applies the New York doctrine as to liability for care of streets to its fullest extent (*Woodard* v. *Des Moines*, 182 Iowa 1102, 165 N. W. 313; *Wheeler* v. *Fort Dodge*, 131 Iowa 566, 108 N. W. 1051), but refuses to apply the same principles to the care of parks. Its inconsistency in this respect is well pointed out in the opinion of the supreme court of Michigan which applies the New England rule of tort immunity to this governmental function as well as to streets (*Heino* v. *Grand Rapids*, 168 N. W. 512) and refuses any remedy for damages resulting therefrom not imposed by statute, unless the injury results from a positive trespass on real property, the maintenance of a nuisance or in connection with an activity from which the municipality derives revenue. As to the last-named ground of liability, however, the Michigan courts are far more liberal than the Connecticut courts, incidental revenue for services rendered apparently being sufficient to give a right of action (*Foss* v. *City of Lansing*, 212 N. W. 952). An extended discussion of this question was published in the May, 1926, issue of the REVIEW at page 302.

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Zoning—Restricted Districts: Set Back Lines.—The effect of the decision of the supreme court in *Euclid* v. *Ambler Realty Company* was noted in the May issue as determining the validity of zoning in Tennessee (*Spencer-Sturla Co.* v. *Memphis*, 290 S. W. 608). On April 18, the highest court of Colorado had occasion to rely upon the same decision in sustaining the general zoning ordinance of the City of Denver (*Cobly* v. *Board of Adjustment*, 255 Pac. 443) which had been enacted pursuant to power granted itself by amendment to its charter. The Supreme Court on May 31 handed down its decision affirming a judgment of the supreme court of California upholding the provisions of the Los Angeles zoning ordinance (*Zahn & Ross* v. *Board of Public Works*). The exclusion of buildings for business purposes from the area in which the plaintiffs' property lay was the basis of their attack upon the ordinance. Although the property in this area was largely undeveloped and it appeared that the exclusion of its use for business purposes might affect its value, the court speaking through Justice Sutherland says: "The most that can be said is that whether that determination was an unreasonable, arbitrary or unequal exercise of power is fairly debatable. In such circumstances, the settled rule of this court is that it will not substitute its judgment for that of the legislative body charged with the primary duty and responsibility of determining the question."

On the same day, the Supreme Court affirmed a judgment of the supreme court of Virginia which upheld an ordinance of the city of Roanoke

creating set-back lines for business and residential districts (*Gorieb* v. *City Council of Roanoke*). The ordinance fixed the building line at least as far from the street as that occupied by sixty per cent of the existing structures upon a given block. To the contention that this standard is too vague, the court answers that in the instant case it may be put aside, "since (a) the permit was granted and the building line fixed under the proviso which reserved to the council in appropriate cases authority to fix the building line without reference to this limitation, and (b) as to the existing houses in the block in question, the actual differences in respect of the building lines upon which more than sixty per cent of them stood are so slight as to be entirely negligible upon the question of certainty." The standard of the average set-back of the majority of the buildings already erected in a given block seems to be a reasonable regulation and similar ordinances have been generally upheld. Two other recent cases in accord are *Harris* v. *State*, 155 N. E. 166 and *Weiss* v. *Guion*, 17 Fed. (2d) 262.

PUBLIC UTILITIES

EDITED BY JOHN BAUER

Railroads and Motor Transportation.—In a recent opinion and order the Minnesota railroad and warehouse commission treated a situation which has caused increasing difficulties all over the country: the regulation of motor transportation in conjunction with the railroads and the relative economic position of the two modes of transportation.

The discussion brings out several fundamental matters which must be considered by commissions everywhere in dealing with railroads and the newer mode of transportation. As to the latter there is first of all a necessary readjustment of what constitutes a "utility" and how it shall be regarded. The railroads and other companies heretofore regarded as "utilities" have been practically natural monopolies; they have large capital investments and have had practically complete control in the particular localities served. The new agency, however, is altogether different. It requires no large capital investment; it operates over highways furnished and maintained at general public expense; does not involve an extended scope of operation. It does not lead naturally to monopoly. It may be organized and conducted largely on a competitive basis. This is a basic economic distinction which as yet has received little consideration by regulatory bodies.

A further characteristic of the new agency is the difficulty of differentiating between transportation which falls strictly within the conception of ordinary private business and transportation which in fact constitutes the work of a common carrier. All railroads are of necessity common carriers in respect to all traffic. Private railroad operation is an impossibility except in very special cases. But in the case of motor transportation a large manufacturer may use the highways with his own trucks and make regular trips to the distributing centers; this certainly is not a common carrier. A manufacturer may enter into special contracts for the conveyance of his products with a private trucking company; nor is this a common carrier. A trucking company may haul goods only as it is especially engaged for particular trips; it is not a common carrier. A special industry provides for a regular route for its own purposes; it is not a common carrier. In the case of railroads no such special transportation distinctions can be made; all traffic is that of a common carrier. Moreover, motor transportation has the greatest flexibility of organization and can make the greatest variety of use of the common highways provided by the state at large. It is difficult, therefore, to decide just what in the last analysis constitutes on fundamental economic grounds a "utility" subject to public regulation.

A further economic factor is the relative cost of motor bus transportation compared with railroads. The latter have become established as general transportation agencies carrying both long distance and short distance traffic. The rate schedules were developed with regard to different kinds of commodities, relative quantities, and particularly with regard to the established distributing centers. Short distance rates have been usually high because of the high cost of handling such local business. Now, however, comes the motor truck which is freed from the large capital investment of railroads, which is not dependent upon fixed terminals and warehouses and which is highly flexible in taking on and delivering shipments. Consequently the cost of motor transportation for reasonable short distances, appears to be much less than on the railroads. This fact must be recognized in rate-making, and it finally must bring about a revision of local rates on the railroads unless the latter decide to abandon the local traffic.

A special point encountered in Minnesota and doubtless elsewhere, is the conflict between interstate and intrastate rate-making. On the railroads the dominance of interstate regulation has been fixed, so that the intrastate rates must be adjusted to the level of the interstate rates. In Minnesota a special source of irritation has appeared in an increase in interstate rates fixed by the interstate commerce commission which has brought about far reaching adjustments of intrastate rates and apparently has caused serious inequalities between localities and relative business interests of the state. The local commission was helpless in so far as the railroads are concerned. But as to motor transportation, which

is primarily or wholly an intrastate matter, the local commission has entire control in fixing rates and is thus able to overcome the interstate commerce commission's abstract power over intrastate. If the railroads do not accept the standards fixed for motor transportation, they will lose the local business. It appears, therefore, that the interstate commerce commission will be compelled on economic grounds to recast its rate structures to meet the new situation.

The particular case came before the Minnesota commission through petitions to issue certificates of "convenience and necessity" to operate designated lines for motor freight transportation. The petitions were opposed by the railroad companies on the ground that there was no "necessity" for the lines; that the transportation could be furnished by the railroads. The commission, however, refused to take this view of the law and public policy. It will not hold back the development of the new mode of transportation in the assumed interest of the railroads. It will issue the certificates of "convenience and necessity" if the facts in any case show that there is a public benefit to be served; but it will consider the effect upon a railroad as a factor in the decision. This is a wise decision and should be generally followed by commissions in dealing with motor transportation of both freight and passengers. There is danger of excessive zeal in "coördinating" the new and older modes of transportation.

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New York Subway Bibliography.—Miss Rebecca B. Rankin, Librarian of the Municipal Reference Library, New York City, has prepared and published an annotated list of books, reports, articles and other documents issued between 1910 and 1927 dealing with rapid transit and subways in the City of New York. See *Municipal Reference Library Notes*, Volume XIII, No. 20, May 18, 1927. The documents are listed chronologically first as to year and second as to appearance within each year. The more important items are briefly annotated to give the scope, the point of view, and the importance of the document. The report was prepared primarily for municipal officials and experts who are directly engaged on the New York transit problems, but it will be extremely useful to everyone interested in New York city transportation.

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Railroad Depreciation.—Although the railroad companies and other public utility interests have been trying to convince the regulatory bodies, courts and the public at large that there is no depreciation—that the properties are endowed with service immortality—the interstate commerce commission has refused emphatically to take this point of view. For many years it has required the railroad companies to set up regular depreciation accounts among the operating expenses for cars, locomotives, and other equipment used in operation. The general principle has been to charge to depreciation the cost of the equipment during the service-life of each particular unit, to accumulate a depreciation reserve accordingly and thus permit the retirement and replacement of each unit when its service-life is completed.

This policy had not been extended to the road and other railroad structures. As to all such properties the companies have been free either to make depreciation charges or to provide for renewals through direct charges to operating expenses. For some years, however, the commission has had under consideration the advisability of extending definite depreciation requirements to road and structures as well as to equipment It conducted extended hearings on the subject, allowing the companies, and other private or public interests affected, to appear and present all relative data and points of view. Based upon this record, the commission recently issued a new order requiring railroad and telephone companies to make regular depreciation provisions for plant and structures as well as for equipment. The whole question of depreciation is treated in a carefully prepared memorandum. The new order was to go into effect on January 1, 1928. This has since been changed to January 1, 1929, to give the companies sufficient time to make a thorough survey of their properties, to make an allocation for past depreciation and to study the requirements for future depreciation charges.

This is an extremely important step taken by the commission in providing more effective means of regulation. The new requirements are based upon statutory provisions and presumably will raise no legal question. While they may have no direct legal effect upon the allowance for depreciation in determining the "fair value" of the properties for rate-making, they nevertheless will have certain influence upon judicial opinion in passing upon the particular question of valuation.

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The National Association of Railroad and Utility Commissioners.—This organization recently published two reports which are available

through its Secretary James B. Walker, who is also secretary of the Transit Commission of the City of New York. One of the reports provides a uniform classification of accounts for bus companies. This is presented in two divisions, the one for companies with operating revenues of $100,000 or more per year, and the other for companies with revenues less than $100,000. Up to the present the organization of the bus companies has been in a constant flux, and the conditions have been shifting so rapidly and the commissions have been so busy, that little serious effort has been made to bring the bus companies under the same accounting and financial control as other utilities. The time, however, has come when the commissions must deal with bus companies just as with other utilities and must have like facilities. To this end the proposed classification of accounts has been adopted by the Association and offered for guidance to the commissions. It follows the usual general scheme of classification for balance sheet accounts, revenues, and operating expenses and income accounts. It has no legal validity except as it may be adopted by the individual commissions.

The second report has to do with the problem of dividing revenues and expenses between states in fixing interstate and intrastate railway rates. Such apportionments are always difficult and involve wide differences of opinion as to methods. A special committee of the Association has worked on this subject and has formulated tentative principles and rules for the separation of such data between states. The work should be useful particularly in narrowing the range of individual opinion in particular cases. The rules adopted have no legal force, but they show the conclusions of careful investigation and thought.

Such allocations of revenues and expenses are usually made for the purpose of fixing intrastate railway freight rates. As pointed out elsewhere, to an increasing extent intrastate freight rates are likely to be fixed more according to competitive conditions with motor transportation rather than upon principles of cost allocation however scientifically adopted. If the railroads wish the local freight they must bid for it and must compete with the motor trucks both as to rates and service. Any system of cost classification and apportionment is subject, therefore, to distinct limitations in its application. If it is followed blindly, it may have serious consequences for the railroads.

One More New York Traction Survey.—As this is being written, the transit commission of the state of New York is making an investigation of the traction situation in the city of New York. The immediate occasion is to resume action on the part of the commission in carrying out its statutory duty to formulate a plan of readjustment of all of the traction properties in the city with the object of establishing a unified system acceptable to both the private companies and the city.

This statutory duty has been in suspense for several years. It was provided for by the law in 1921 when the present transit commission was established. A preliminary plan was thereupon formulated based upon tentative valuations of the properties. Before the statutory plan could be completed, however, the fact became clear that both the companies and the city would be unwilling to accept a plan along the general lines of the proposals. The commission had the ultimate statutory right to accept the plan on behalf of the city, but could not impose it upon the companies. Even on the part of the city, however, there were fundamental contract rights involved so that action by the commission would probably have been litigated. Hence, the natural suspension of activity by the commission on any such plan of reorganization.

During recent months Samuel Untermeyer was retained as special counsel by the commission to take charge of a new investigation for the purpose of trying again to formulate and carry out a plan of consolidation. A number of conferences were held between commission, city and company officials, but no agreement was reached. The public hearings have since revealed plainly that the deadlock between the companies and the public authorities continues and that no statutory plan is feasible. The companies apparently will not accept such valuations and plan of organization which would be deemed reasonable to the commission and would be acceptable to the city. The fact appears also, as has been contended by the city authorities, that the five-cent fare fixed by contract is sufficient on the city's present rapid transit lines, and that any apparent inadequacy has been due wholly to overcapitalization and extravagant rentals paid by the operating companies on leased properties.

The investigation will doubtless end without immediate constructive results. It may, however, lead to greater harmony among city and other public officials and make possible a

municipal program. The attempt to come to an agreement with the companies either through legislative means or by negotiations will probably be abandoned, and an independent municipal system may be developed. Such a system would probably include not only the new subways now under construction, but also the existing subways which are subject to recapture under definite financial terms fixed by the rapid transit contracts. If the right of recapture is exercised by the city, the latter would have control of practically all the modern rapid transit lines and would leave to the companies all the older and more obsolete properties. It seems likely that such a city system could be operated and made self-sustaining at a five-cent fare, which, however, would not be sufficient to perpetuate the present preferentials payable to the companies and other fixed charges based upon overcapitalization and excessive rentals paid to lessor companies.

There appears to be a reasonable prospect that such a recapture program may be definitely adopted by the city in the course of the next six months. This course would be particularly facilitated if the proposed constitutional amendment to be voted upon by the electorate is adopted, enabling the city to borrow $300,000,000 outside of the debt limit for the purpose of subway construction. If this additional borrowing capacity is made available, then to a considerable extent new subways could be built out of the new credit and the existing debt limit could be used partly at least for the recapture; possibly private capital would be employed in part for such a program. No clear lines of policy, however, have yet been announced by the city.

GOVERNMENTAL RESEARCH CONFERENCE NOTES

EDITED BY RUSSELL FORBES
Secretary

Des Moines Bureau of Municipal Research.—*Inventories.*—At the request of the commissioner of parks and public improvements, the Des Moines Bureau of Municipal Research has been working on an improvement in the method of maintaining inventories of tools and equipment in the park department. This department purchases annually thousands of dollars worth of new equipment in mowers, garden implements and other items without a thorough check on the use of such equipment, especially with respect to tools checked off as obsolescent, lost, etc. A perpetual inventory of all items has been made to which can be added new tools as purchased while other items will be charged off immediately as they are broken or lost. This gives the central park department office a list of the equipment that should be on hand at the end of the year. This will be checked by personal inspection from the central office.

County Budget System.—The bureau is also attempting to coöperate with the county auditor's office and the supervisors in the installation of a budget system and a system of quarterly reports showing departments the amount remaining in their allotments based on the probable revenue to be collected. Heretofore, the county departments have spent blindly, with the result that several funds accumulated deficits annually which must be funded by bonds.

Former Director.—Captain Clarence M. Young, director of the Des Moines Bureau of Municipal Research, and more recently a member of its board of trustees, has been appointed chief of the air regulation division of the department of commerce at Washington. Captain Young has had extensive experience in aëronautics, entering the Army air service in 1917 and serving for eighteen months overseas. For five months he was a prisoner of war of the Austrians. Upon his return to civil life, Captain Young was appointed as the first director of the Des Moines Bureau of Municipal Research in which position he continued for a number of years. Upon his resignation, the position was filled by C. A. Crosser, the present director.

Kansas City Public Service Institute.—*Surveys.*—The principal surveys under way at present are a study of county welfare activities in Jackson county, Missouri, which includes Kansas City, and an operating study of the Kansas City water department.

The former study includes a survey of each of the county institutions and of other welfare activities, except the juvenile court, and some related work. This work is part of the general study of county government being made preliminary to a reorganization plan for county government, which it is expected will be prepared before the next session of the legislature.

The study of the water department, which has been under way for several months, was undertaken primarily to determine the need for main extensions and to find out how best such extensions can be financed; whether by bond issues, by increased water rates, by operating economies, or by some combination of these.

Public Affairs.—The Institute is conducting an experiment in its educational publicity. For a number of years the weekly folder *Public Affairs* has been published. Recently this was expanded once a month into a large edition, seven by ten inches in size, and containing from eight to sixteen pages. An effort is being made to present information in a more popular, attractive and readable form. Even the cover design and set-up have this in view. The same standards of accuracy and timeliness are maintained. Whether the new form will prove to be of more interest to more people, and whether it will be more widely read, remains to be seen.

Ten-year Financial Plan.—Preliminary work, which it is hoped will ultimately result in a ten-year financial plan, is one of the principal activities of the Institute. Nearly two years ago a bond program covering bond improvements for five years was prepared by a special mayor's committee. The program, however, was incomplete and probably not sufficiently well-considered, and failed to be approved by the voters. A complete, well thought-out program covering operating expenditures and special

assessments, as well as bond expenditures for a ten-year period, is of considerable importance in view of large expenditures to be necessary in the city during the next few years.

School Buildings.—Along similar lines the Institute recently presented to the Board of Education a plan under which it will be possible after four or five years to finance future building construction for the schools out of current revenues, with little or no increase in tax rates. Before the plan can be inaugurated it will be necessary to have one more bond issue of approximately $5,000,000 to take care of construction needs which have accumulated—in other words, to get caught up. The suggestion met with a favorable response, though no official action has been taken.

Permanent Registration.—Two bills in which the Institute was interested failed of approval by the state legislature at the session recently ended. The bill to provide for permanent registration of voters for Kansas City was so badly changed that its defeat was not cause for great sorrow. A complete and sound bill will undoubtedly be presented again at the next session, and there is some possibility that there will be support from St. Louis to include the city of St. Louis in its provisions.

Police Pensions.—A bill to permit cities to provide by ordinance a pension system for police, under the authority of a recent constitutional amendment, was defeated. The principal fight was not on this bill, however, but on three bills, introduced by the police departments of the large cities, which would have established an exceedingly expensive and unsound system. The greatest effort was placed on defeating these bills, and the effort was successful.

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Municipal Reference Bureau of the University of Kansas.—*Municipal Insurance.*—The Municipal Reference Bureau of the University of Kansas, in coöperation with the International City Managers' Association and the League of Kansas Municipalities, has recently published a research report on municipal insurance, a survey of the practices of cities in insuring their property and liability risks. The survey covers the practices of 135 cities. It contains tables showing what property is insured, the amount of insurance carried, the cost of insurance and the losses sustained. The greater part of the report has to do with the methods of insuring. Recommendations are made as to the methods to be used. The study was made by O. F. Nolting, secretary of the Bureau.

Forms of City Government.—The Bureau is now working on a bulletin on city government in Kansas, which is to be published this summer. The study is based on the statutes of the state. It contains an organization chart for each form of city government in Kansas as provided by law, outlines the duties of city officials and contains other information of interest to students, civic organizations and citizens of Kansas.

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New York National Institute of Public Administration.—*County Hospital.*—Dr. Carl E. McCombs is now engaged in the analysis of material gathered relative to county hospitals in the United States, as a member of the Committee on County Hospitals of the American Hospital Association. A report on this will be submitted to the Association at their meeting, probably in October, and will be published in the Proceedings of the Association for 1927. A preliminary report on county hospitals was published in the Proceedings for 1926.

Health Administration.—Dr. McCombs' book, *City Health Administration*, published by Macmillan, has just appeared.

Police Survey.—Bruce Smith has been engaged by the Illinois Association for Criminal Justice to make a survey of police administration in Illinois. This work will probably begin early in the fall.

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Toronto Bureau of Municipal Research.—The analysis of the city of Toronto's annual budget has been in progress and is now completed. The resulting material is being prepared for use in a bulletin which will be issued during the course of the next few weeks.

The Bureau held its annual meeting on April 28. The annual report has been published.

The director spoke recently on the "Cost of Running a City" before the Bloor-St. Clair Business Men's Association.

NOTES AND EVENTS

I. GOVERNMENT ACTIVITIES AT HOME

EDITED BY A. E. BUCK

The Semiannual Budget Meeting of the National Government.—Since the national budget system was established in 1921, it has been the custom to hold budget meetings twice a year at Washington. The department heads, assistant officers, and bureau chiefs attend these meetings and are addressed by the President and the director of the budget. This group has been designated as the business organization of the national government.

The thirteenth of these semiannual meetings was held in Continental Hall on the evening of June 10. Addresses were delivered by President Coolidge and by General Herbert M. Lord, director of the bureau of the budget. The President spoke of the condition of federal finances and the apparent surplus for the current year ending June 30 of $599,000,000. This surplus, he stated, resulted in part from the sale of capital assets, such as railroad securities. The surplus for next year is estimated not to exceed $338,000,000. Such surpluses, the President asserts, have made tax reduction possible, and their application to the further reduction of the national debt has permanently reduced our interest charges. Due to the debt reduction and the funding operations conducted by the Treasury, interest payments next year will be $63,000,000 less than for the current year. This is pointed to as a most remarkable showing in relieving the people of the great burden of interest charges. From April 6, 1917 to June 30, 1927, this burden amounted to the stupendous sum of $8,318,517,388. In concluding his address, the President discussed briefly the preparation of the budget for 1929. He instructed the department officials in making up their estimates not to ask for more funds than they had during the current year, so as to keep the total estimates for the year within $330,000,000.

General Lord then spoke and as usual interspersed the dry facts of budgeting with several illuminating stories. He recounted the experience of the bureau of the budget in keeping down the expenditures of the government since its organization, pointing to the fiscal year 1924 as being the low-water mark after the war when the expenditures were reduced to a little over $3,048,000,000. He said the struggle to do this reminded him of the fight between a Scotchman and an Irishman. They were to fight until one of the two indicated he had had enough by saying "Sufficient!" Right royally they fought—backward and forward—up and down—in and out—blow upon blow—fistwork and footwork—for 5 minutes, 10 minutes, 15 minutes, 20 minutes, 25 minutes, and then the Scotchman faintly but distinctly gasped, "Sufficient!" Said the Irishman, "I had been thrying for the last tin minutes to think of that blamed word." General Lord told at length of the various methods that were being used to reduce the operating cost of the government and gave some general instructions for the preparation of the next budget estimates.

The interesting thing about these semiannual meetings is that they have assumed considerable importance in the budgetary procedure of the national government. They enable the President and the administrative officials to get together (sometimes leading members of Congress are present) and go over the financial policy of the government as related to its day-to-day operation. These meetings are held regularly in January and June; the proceedings are broadcast by several of the largest radio stations in the country and are reported and commented on by all the leading newspapers.

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Typhoid Fever Epidemic in Montreal.—The recent sharp outbreak of typhoid fever in Montreal resulting to date in several thousand cases of the disease and over 350 deaths, according to press reports from that city, adds another sad and inglorious chapter to the history of typhoid fever prevention in America.

A marked increase in the number of reported cases of typhoid fever in the city of Montreal was indicated early in March of this year. By the end of March, the outbreak had reached its height with about 160 cases reported in a single week. There was a rapid decline in the reported cases during April, and then, beginning in May,

another sharp rise approximately to the same height as at the end of March. About the middle of May, the number of new cases began to decrease and, according to latest information, the epidemic is now under control.

From its beginning this epidemic was characteristic of milk-borne infections. The extremely rapid increase in the number of new cases, the localization of the disease to a particular group of the population served mainly by a large dairy company, and the general course of the disease during the epidemic period, warranted immediate and thorough investigation of all possible sources of milk contamination. Yet, according to the *Montreal Star*, "During the first three weeks of March, the health officials groped for clues which would lead them to the source of contamination. By March 29, the disease had reached its peak with 160 new cases reported. It was just a day prior to this that the officials had turned the attention to milk sources. . . . The disease ran rampant until the Provincial Department of Health took control of the situation in drastic fashion."

According to other information furnished the Review, the source of the infection was in a number of small dairies supplying the large dairy company previously mentioned, which were located about 30 miles from the city in an area drained by three small polluted rivers. What these polluted streams had to do with contaminating the milk at the dairies it is impossible to say. In view of experience in other similar epidemics, it seems likely that typhoid carriers engaged in handling milk were immediately responsible for the contamination of the milk supplies.

There are several important lessons for public officials in this epidemic. First, that nothing is gained and a great deal may be lost by attempts to minimize the seriousness of any outbreak of typhoid fever. Second, in cities having water supplies properly protected from pollution or made safe by treatment, contaminated milk should be the first thought in a localized epidemic, such as this one in Montreal. Third, there should be an adequate system of registration of cases of typhoid fever requiring complete epidemiological investigation of each case as a routine and not an emergency measure applied only in the face of epidemic. Fourth, no system of milk sanitation which does not guarantee the health of milk handlers can prevent a milk-borne epidemic.

It should be said in behalf of the municipal health authorities of Montreal who have been criticized for their failure to hold the disease in check, that they have been handicapped for many years in their efforts to prevent communicable diseases by a lack of coöperation, both on the part of practicing physicians of the community and the general public. The reporting of typhoid fever and other serious communicable diseases has always been poor in Montreal. There were in all probability a great many more cases of typhoid fever in the city than appeared in the official disease register, and, under such circumstances, efficient control of disease is obviously a most difficult matter. This emphasizes the importance of more determined efforts on the part of health authorities everywhere to require prompt and full compliance with the disease registration law by practicing physicians and others responsible for reporting disease.

C. E. McCombs.

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Conference on Municipal Government Held at the University of Iowa.—The fifth Commonwealth Conference on Municipal Government and Administration was held on June 27-29 at Iowa City under the auspices of the University of Iowa. The program consisted of round table discussions and two or three public meetings. Round tables were held on five subjects, as follows: "Legal Status and Organization of Municipalities," "Police Power and the Administration of Justice," "Ownership and Regulation of Public Utilities." "Municipal Budget Making and Finance," "Better Government for Municipalities."

Brief addresses were given at the public meetings by leaders in the field of government and politics. The conference was conducted under the general direction of Professor Shambaugh of the University of Iowa.

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Nebraska Standard State Zoning Law.—The recent session of the Nebraska legislature enacted a standard zoning law for the cities and villages of that state. This law was approved and became effective on April 15. It empowers the cities and villages of the state to regulate and restrict the height, number of stories, size of buildings and other structures, the percentage of lot that may be occupied, the size of yards, courts, and other open spaces, the density of population and the location and use of buildings and lands for trade, industry, residence or other purposes.

The law provides a general method of procedure and establishes a zoning commission to be appointed by the local legislative body. It also authorized the local legislative body to create a board of adjustment to handle cases of appeal, or to act in this capacity itself.

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Kansas City Gasoline Tax.—Since 1923 Kansas City has collected a tax of one cent per gallon on gasoline sold to gasoline dealers. Since that time approximately one and a quarter million dollars has been received from this tax. The purpose of the tax is to provide a fund to keep the streets in repair. While the ordinance establishing the tax provides that the money from it shall be expended currently for street repair purposes, it appears from a recent statement of the Kansas City Public Service Institute that a considerable balance remains unused in the fund. Several of the city streets require attention and motorists are complaining of the need of repair.

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The Supreme Court of the United States Again Upholds Zoning.—The right of a municipality to enact zoning regulations for the construction of buildings has been again upheld by the United States Supreme Court in a decision handed down May 16 in the case of Hector M. Zahn and A. W. Ross *versus* the Board of Public Works of the city of Los Angeles. This case was one in which the city had refused the plaintiffs' permission to erect buildings on property which had been zoned as residential. The suit was brought on the ground of violation of property rights under the fourteenth amendment.

In handing down its decision the court held that the issue involved in the Los Angeles case left it impossible for the court to say that the conclusions reached by the city officials "were clearly arbitrary and unreasonable." The court further held that in such cases, where a city planning board has been functioning for some time and preventing ambitious apartment house builders from putting up structures, the settled rule was not to substitute its judgment "for that of the legislative body charged with the primary duty of determining and answering the questions."

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The Passage by the Indiana legislature of the Sims Bill, commonly called the "Mayor Saviour," has been interpreted by many as a real boon to the city manager movement. The law which permits mayors to serve out their full terms, even though the citizens have voted in the city manager form of government, was bitterly opposed by friends of the latter from all parts of the state. There is a definite movement on in Indianapolis to secure city manager government under the optional charter law of Indiana. While the Sims law will postpone in most instances the time at which the new plan can go into effect in any city, it is deemed an unjust measure by many and is therefore adding fuel to campaign for manager government.

II. GOVERNMENT ACTIVITIES ABROAD

EDITED W. E. MOSHER

Organization of Public Servants.—Judging from the comments in British papers and magazines which deal with public administration, the central theme of discussion is Section 5 of the Trade Union Bill, recently introduced by the Baldwin Ministry. Section 5 provides that any trade union connected with the established civil service must be confined to members of the civil service and must not affiliate with any outside organization, trade union or political party. There is one proviso that lessens the stringency of this measure, namely, that a civil servant already having membership in a trade union will be allowed to continue his membership.

As the representative of the Cabinet stated in the parliamentary debate, the occasion of this provision was the willingness of three civil service associations to turn over to the general council of the Trade Union Congress with which they were affiliated the right to call a strike and to demand financial aid.

In defense of the civil servants certain members of Parliament maintained that in spite of the affiliations with outside organizations there had not been a strike for thirty years and no abuse of affiliations. The only strike on record took place in the Post Office Department in 1890, before trade unionism of this type existed. It

was also maintained that civil service associations have no provisions in their rules whereby a strike may be called or strike pay collected.

There seems to be no question but that the bill will pass Parliament and be enacted into law. Editorial writers favorable to the public service are inclined to think that so far as the civil servants are concerned the provisions will not be carried out and the bill will ultimately prove to be futile.—*The New Civilian*, May 11, 1927.

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The whole of the April, 1927, issue of the English quarterly, *Public Administration*, is devoted to a series of papers presented before the Institute of Public Administration in February. These papers deal with office management and personnel questions. They were contributed by men who have been connected with large enterprises, either of a public or private character. The first, presented by the assistant comptroller of a large electrical company, covers in a compact way various phases of personnel management from initial employment and placement to retirement. This paper is of special interest because of the methods discussed for increasing the output of clerical workers by means of work analysis and standardization. It is accompanied by exhibits which show the possibilities of improving output along these lines.

The director of establishments in the Ministry of Labor, W. W. Marsh, summarized the whole personnel situation as it is now being handled in governmental departments. He gave a bird's-eye view of the customary practices in the British government.

The third paper was read by an official of the London county council, Mr. W. H. Waddington. This discussion deals with the relation between the council and the staff of the council. One provision is particularly noteworthy, namely, that no employees are permitted to make appeals of any sort to individual members of the council. Such personal appeals are considered to be a breach of discipline. This does not preclude the possibility of contact between staff members and the council members because a joint committee of the two groups has been called into being for discussion of practically all conditions of service, discipline and the like.

Consideration is given to the extent to which the employees of the council are free to engage in public duties, other than official duties, and also to exploit their own inventions, patents and publish articles on service problems.

The most thought-provoking papers in the whole series, however, deal with promotion, first in industry and then in public service. Mr. Urwick, of the Rowntree Company, paid tribute to the progressive work which was being done in the United States toward making industry not alone a means of livelihood, but also a way of living. He cited rather extensively from recognized American authors, and laid, in every instance, special stress upon promotion as well as on the importance of more research, particularly along psychological lines. Mr. H. Broadley, one time member of the Board of Trade, spoke most emphatically upon the disrupting effects of the promotion problem and of the desirability of consigning it to the limbo of forgotten things. He expressed the conviction that in promotion is to be found the persistence of the nursery idea of rewards and punishments. He would eliminate all ideas of advancement and promotion from the work of the civil servant. In his judgment, persons in a clerical position are not fitted to become executives, and executives, even the good ones, are not fitted to become administrators. He vigorously attacks the waste of time and energy in connection with the promotion boards, now operating in the Whitley system of government. He denounces the annual report, "whereby heads of departments are required to certify whether each member of their staff was normal, subnormal or supernormal, in regard to the seven deadly departmental virtues." He scores the adoption of such ideas as a damning comment on the Whitley councils.

The alternate proposed to this system is promotion by external tests. These tests would be regular examinations, held under an appointments board, and would be based upon well organized programs of advanced study. Avoiding the word "promotion," he would advise "progress" from the lower clerical to the higher clerical and from the lower executive to the higher executive, entirely through seniority. He would thus "evolve a system of progress by seniority tempered by inefficiency rather than one of promotion by merit (a criterion almost impossible to define and difficult to apply) tempered by seniority."

The basic task is to find the right man for the right job, after a period of education and training and, thereupon, to settle once and for all the matter of income and progress so that the man may concentrate his whole energy on the job.

Mr. Newham, the town clerk of Croydon,

approached the question of promotion in somewhat the same spirit. He would approve promotion from one rank to another only on the basis of educational qualifications. That is to say, that an administrative officer could never become a professional officer without having increased his educational equipment. Mr. Newham would make it, however, comparatively easy for a man in a lower rank to gain the background necessary for such promotion. He outlines, for instance, a system of apprenticeship whereby the aspirant for promotion may take out articles with the town clerk or other officer in a neighboring town and later return to his own town for service in a subordinate capacity.

Mr. John Lee drew a parallel between the nationalized industries and large scale industries that deserves attention. In his opinion the two are about on the same level, in that rules and precedents and fixity of organization are the order of today. This system looks upon the worker as a standard unit, having a standard wage, called upon to produce a standard output, and having only a standard career to look forward to, thus "dethroning any idea of personal valuation." The reclaiming of a place for personal expression and initiative seems to him to be the key problem of large-scale management.

As remedies to this situation he proposes the following: (1) the establishment of a personnel department that would avail itself of modern psychological and organization methods, (2) the introduction of some method of award in the form of special increases of wage, (3) the assignment to the personnel department of the right of choosing people for work so that special personal qualities may be taken into account in the process of placement, (4) decentralization of authority, or rather, a real delegation of it, so that "living responsibility may come downward and that there may be increased sensitiveness upward." This would encourage the human-unit in positions of authority to grow in confidence and sensitiveness. In other words, those who are in the lesser executive positions are to have some real authority so that they may bring about those adjustments that are so necessary in dealing with human beings as such.

Mr. Lee sees the dangers of overorganization and such organization in his mind means a restriction on the scope of human individual expansion. This breeds discontent and inertia and is the bane of modern large-scale units. He cites, therefore, as the prime problem that has come to the fore in modern management the lack of consideration of human beings as such.

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Municipal Research—A municipal research committee has been organized by the labor members of the Plymouth city council. It is anticipated that the committee will utilize persons with expert knowledge to make investigations into local problems, and full publicity will be given to the report of the committee. This is one of the first, if not the first, efforts to organize municipal research in this way in England.—*Local Government News*, May, 1927.

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Cleaning up Slums.—A systematic program for cleaning up the slums of Dover, England, is gradually approaching realization. Although Dover is a town of only 40,000 people, it has already demolished seventeen streets and alleys and about 400 houses in a low-lying and unsanitary area. It has built a thousand-foot viaduct, forty-five feet wide, through this area which now forms the main approach to the town. In order to provide houses for people displaced by this scheme the town has built 460 houses in a location overlooking the sea. A further improvement is the provision of a bandstand facing the sea with a capacity of one thousand people. In periods of inclement weather sliding doors are provided so that the building may be entirely inclosed. The bandstand is used not alone for band performances but also for concerts and dances.

The city of Glasgow is now engaged in a third slum clearance inquiry which, if successful, would mean, in the aggregate, the elimination of 4,180 slum houses of the worst type.—*Municipal Journal*, May 6 and 13, 1927.